Housing and Urban Hennepin County

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Introduction

This study of the housing role of Hennepin County Government has been carried on by the Center for Urban and Regional Affairs of the University of Minnesota at the request of the Planning and Development Department of Hennepin County. It has been made at a time of great difficulty for housing agencies, the private housing industry and, most of all, for the housing consumer.

Practically everyone who currently enters the housing market faces a critical situation which becomes a crisis for families and individuals with low or moderate incomes. Even those whose housing arrangements are stable find themselves hard pressed by escalating energy and home maintenance costs and rising rents.

Housing demand is now at an all time high fueled by the highest household formation rates in history. This situation will continue through the 1980s and into the next decade. The children of the 1950s, seeking their independent place in the housing picture, make up a large part of the demand. Nationally, for example, while only 2.4 million people annually reached the age of 30 from 1965-1970, by 1980 this figure was over 4 million and will continue at about the same rate until 1995. Incidentally, people in the age bracket 25-34 are most likely to be in the housing market.

In the face of this unprecedented demand, both public and private housing resources are in extremely short supply. At present the major Federal and State housing assistance programs are in jeopardy. Reduced Federal appropriations are likely to drastically reduce the major Section (8) and public housing programs. State and municipal bond resources backing moderate interest rate mortgages are threatened by high interest rate and are being clamped down by proposed Federal legislation, the so-called Ulman Amendment.

Meanwhile private housing development has slowed down because of soaring interest rates resulting in unaffordable monthly payments and rents. With housing costs leading the inflation the present and potential housing poor are an increasing percentage of the population. Rising costs and diminished production bedevil the lives of middle income people while they make the condition of low income people much more difficult.

Up to date, the Hennepin County Government has performed a limited number of housing functions. It currently administers the State Housing Rehabilitation Grant program, residential rehabilitation funded through Community Development Block Grants and the Federally Assisted weatherization program. Hennepin County has been designated an Urban County pursuant to Federal legislation and as such develops the Community Development Block Grant request for cooperating communities which include all of the municipalities in the County with the exception of Bloomington, Hopkins and Minneapolis. As its community development responsiblilities have grown, the County, through its Development Planning Team has recognized the varying needs of different communities and has responded to requests for advice and assistance from local governmental officials and developers as staff time has permitted. Admittedly these housing functions do not constitute a comprehensive approach to the County's housing needs based on an overall housing policy.

Many other public agencies are involved in housing in Hennepin County. The Metropolitan Council administers the regional allocation system for subsidized housing. The Metropolitan HRA administers the Section (8) existing housing rental assistance program in 23 of the 47 municipalities in the County (St. Louis Park and Minneapolis Housing and Redevelopment Authorities operate their own programs). Enforcement of building codes and zoning ordinances rests with the local municipality. Nineteen municipalities, in addition, have established Housing and Redevelopment Authorities with responsibilities for the public housing programs and urban renewal programs. With the exception of Minneapolis, Bloomington, Hopkins, and one or two others, these authorities were established primarily or solely to engage in the renewal program and have assumed no housing functions. Only four municipalities have created any public housing while one or two others are considering doing so. Both the major State and Federal Housing agencies also operate programs in the County, both directly and through local governments and financial institutions-e.g., State and Federal mortgage assistance programs.

Despite the number of agencies, it is quite clear that residents of all parts of the County do not have equal access to existing housing programs. Many sections of the county do not have an active agency speaking to their housing needs and initiating responsive activities. This report assumes as a basic premise that the problem of access equity should be met head on and that better balance should be achieved.

In order to become more effective in the housing area and to provide housing services in parts of the county unserved or inadequately served, the County should not and need not compete with other agencies doing an effective job. Its role should be primarily one of partner, advisor, and assister to local governments and their individual housing agencies, as well as to the Metropolitan Council and the State and Federal governments. It should, however, continue to be concerned with the underlying welfare of residents of the county including their living conditions and housing arrangements.

Most probably, the next decade will bring many opportunities for municipal and county-wide housing action, as the private housing industry and the Federal and State governments strive to offset housing shortages and rising costs. Hennepin County should be prepared to take advantage of these opportunities.

In the following report we discuss housing issues, needs, functions and programs, and the participation of various levels of government in housing with special attention to the role of County Government. The body of the report is preceded by a summary of conclusions and recommendations.

A. Summary of Conclusions and Recommendations

The conclusions and recommendations which follow are based on the following premises:

1. Access to housing programs should be balanced in the County so that essential equity is established and residents of all parts of the county have approximately equal access to housing assistance of various kinds.

2. During the 1980s, resources for housing programs will continue to be extremely scarce, and the availability of affordable housing will be an increasingly serious problem.

3. The County can best serve a coordinating service role in partnership with others both in the private and governmental spheres.

1. Hennepin County should develop a detailed county-wide housing implementation program working with municipalities, basing it on County and municipal plans and responding to Metropolitan objectives and citizen concerns.

Government housing planning and programming currently occurs in more or less uncoordinated fashion at all levels of government. Hennepin County has specific review responsibilities for municipal plans and programs pursuant to both State and Federal legislation. However, there is no continuing developed county-wide housing strategy and implementation program against which to consider municipal plans and proposals and which provides a planned program base for County housing activities. Drawing upon Metropolitan Council housing objectives and municipal plans, goals and objectives, Hennepin County should develop a county-wide housing implementation program and strategy to be regularly reviewed and up-dated. The County program will provide a basis for its review of municipal plan and proposals and for its own program and housing initiatives.

2. The County should concern itself with mitigating housing costs to the consumer by more widespread use of such programs as the MHFA Affordable House Program, through encouraging new types of variable and deferred payment mortgages, and through exploring cooperative housing and other unconventional forms of ownership.

The Minnesota Housing Finance Agency's Affordable House Program has had significant success in some parts of Hennepin County because of the interest of local financial institutions which serve those specific areas. The

County can encourage these efforts and also promote the more widespread use of the programs through interesting financial institutions serving other sections of the County in the program. This assumes that the financial market will become sufficiently favorable, so that the State will be able to continue the program. New forms of mortgage financing and cooperative housing also are being used in the Metropolitan Area. The County should become familiar with these techniques and be prepared to assist in their more widespread use.

3. The County should continuously explore new resources for providing housing for low, moderate and middle income people working with various types of non-profit enterprise and programs like that being considered for middle income families in St. Paul and Minneapolis.

Non-profit sponsorship of housing for moderate income people has achieved appreciable success in the Metropolitan area and out-state. For example, both the Greater Minneapolis Metropolitan Housing Corporation and the Arch-Diocesan Urban Development Corporation have developed experience and know-how although they have had limited impact in Hennepin County outside of Minneapolis. The County should work with these and other non-profit programs in order to bring their benefits to residents of the County. The proposed Minneapolis-St. Paul program for middle income families should be studied by the County with an eye to the possibility of its application outside of the Center Cities.

4. Hennepin County should take a leading role in fostering energy conservation in the existing housing supply and in new construction through:
   a. Extending the current housing rehabilitation programs.
   b. Working with the Minnesota Energy Agency, the Metropolitan Council and the local municipalities and developers to develop energy efficiency housing through earth sheltering, the use of passive and active solar energy and otherwise.
   c. Working with municipal government and community organizations to stimulate a county-wide residential energy assessment.

Improving the stock of existing housing to make it more energy efficient is a pressing need in Hennepin County, both to conserve energy and to reduce utility costs to consumers. While energy conserving programs have had some impact, much remains to be done. Recent predictions indicate that heating costs, based on natural gas, the preferred fuel in Hennepin County, will triple by the end of the decade. Currently, legislation is being considered which will provide more assistance to communities and individuals involved in energy conservation programs. The County should be prepared to work with municipal governments to take advantage of these programs. In the meantime, it should foster more wide-spread use of MHFA home improvement loans and grants for energy conservation.

Much interest has developed in Minnesota over developing more energy efficient housing through earth sheltering, the use of solar energy and otherwise. The county should work with developers who propose to use these techniques. It should take advantage of the experience and expertise of the Minnesota Energy Agency, the Underground Space Center at the University of Minnesota and other agencies which are pioneering the use of energy efficient construction technologies. The County might join with others in sponsoring educational programs to bring the advantages of earth sheltering, solar energy and other energy conservation measures to the attention of municipal government and its building code administrators and inspectors.

The County could also work with local communities to sponsor residential energy audits.

5. The County should explore the possibilities of a multi-family housing rehabilitation program using the experience of Minneapolis, St. Paul and other areas which have launched such programs.

Rehabilitation of multi-family housing has had limited success in the past. In a time of low-vacancy rates, property owners are frequently content to leave well enough alone, particularly when the alternative means capital outlay and the necessity to raise rents. However, recently St. Paul, Minneapolis and other cities have launched programs which are having some success providing financing packaging and taking on responsibility for much of the red tape. There is a significant supply of older rental property in parts of Hennepin County, which may be susceptible to improvement if appropriate assistance is available to its owners. The County could investigate the programs in other places and consider ways of making assistance available to rental property owners.

6. Hennepin County should seek changes in State Legislation to enable the County to establish a County Housing and Redevelopment Authority for areas in the County not under the jurisdiction of municipal housing authorities and to enable two or more municipalities in the same County to establish a joint Housing and Redevelopment Authority.

Present State Legislation prevents Hennepin County from establishing a County Housing and Redevelopment Authority, although a number of Counties in the State including neighboring Dakota and Scott Counties have established HRAs. Further, the Municipal Housing and Redevelopment Act does not at present permit two or more municipalities to establish a joint HRA. It may be desirable in the future to use one or both of these alternatives in order to meet housing needs of residents of the County.

7. In order to accomplish these activities, Hennepin County should focus its housing concerns and responsibilities in a County Housing Services Office. It would carry on its responsibilities through or in partnership with municipal governments and local community agencies. The Housing Services Office would perform any or all of the following activities:
   a. Take initiative to assure the benefits of housing programs to residents in all parts of the County.
   b. Provide technical advice and information on housing to municipal governments and housing authorities, and present and prospective developers and to the public.
   c. Set up a housing program information clearing house with background on available programs and model programs offered elsewhere.
   d. Provide assistance in matching developers for new subsidized housing construction with appropriate communities.
   e. Increase the County's advocacy role in support of local communities in metropolitan, State and Federal programs.
   f. Offer planning and administrative services for housing activities of municipalities and municipal and inter-jurisdictional housing and redevelopment authorities.

At present there is no clear organizational focus for housing activities at the County level. Residents of many areas of the County do not have ready access to housing assistance because of the inability of municipalities to provide the benefits of the appropriate housing programs. Officials of a number of municipalities have expressed a need for housing services at the county level. If the housing problems of the 80's are to be met and housing opportunities developed and realized, there is need for continuing housing initiative and expanding technical assistance at the County level. If a County Housing and Redevelopment Authority were established at a later date, the proposed Housing Services Office could be incorporated into its staff. In many areas the Housing Services Office would be carrying on and augmenting activities already undertaken by the Development Planning Staff of the County Office of Planning and Development.

8. The County working with the Metropolitan Council and State, Federal and municipal agencies should set up an intergovernmental task force on housing data and program evaluation.

Hennepin County, the municipalities, the Metropolitan Council and the State and Federal agencies all have a common interest in developing an accurate housing data base which can be up-dated and against which housing progress can be evaluated. 1970 Census data still provide the basis for many of the estimates of housing inventory and, therefore, the baseline for measuring changes. Detailed information as to housing programs is fragmentary and problems of comparability frequently crop up.

The 1980 Census data in time will provide a new series of bench marks. If these data are to be most useful, it will be desirable to get together those concerned with their use on a regular basis to exchange information and coordinate their efforts. The proposed task force would provide this forum. It could start its work by:

1. Familiarizing itself with the potentials and limitations of the 1980 Census data.
2. Developing a common understanding and definition of program data to be used in evaluation.
3. Working with the Metropolitan Council in reviewing and updating the Area-wide Housing Opportunity Plan (AHOP).

9. Hennepin County should work with the Metropolitan Council to assure that its planning areas and any sub-regional planning areas established by the Council are consistent.

There have been discussions of the Metropolitan Council regrouping its planning and housing allocation activities on a sub-regional basis. It obviously would be desirable for the Council and the County to define planning regions in the same way. The County has already established five planning areas which are currently used in the Community Development planning process and which might well be used as the basis for the sub-regional areas.

10. The County should work with MTC and the Metropolitan Council to establish mass transit service for areas in which there are concentrations of people who are not now or in the future likely to be able to use private automobiles. In developing its housing

program and reviewing municipal plans, the feasibility of transit service should be considered.

With the probable curtailed use of automobiles, it is important that residential areas in the County be served with mass transit if the best use is to be made of the existing housing stock.

11. The County should initiate discussion with the Metropolitan Council concerning the effectiveness of current metropolitan, county and local controls in carrying out the metropolitan objectives, in particular, those of concentrating residential development and dispersing low and moderate income people. The county's concern is not entirely housing but also relates to its traditional roles of providing various types of public facilities and welfare services.

The Metropolitan Council's development framework and housing objectives greatly affect the direction, quantity and quality of housing and growth in Hennepin County. The effectiveness of these policies should be examined from time to time. The County and its municipalities should play a significant role in this evaluation.

B. Housing Issues

Housing issues in the 1980s will center around some rather familiar topics: 1. Accessibility; 2. Production; 3. Resources; 4. Housing Costs; 5. Improved Existing Housing. The list is by no means exhaustive nor are the topics discrete. They weave together and overlap. This discussion attempts to indicate some priority for these issues and relate them to the special subject of this inquiry, the future housing role of Hennepin County government.

1. Accessibility to Housing Assistance

It is the contention of this report that the benefits of publicly subsidized housing programs should be equally accessible to all eligible residents of Hennepin County regardless of their place of residence. Currently, this objective is not being met primarily because some municipalities are not participating in the available programs.

Residents of large areas of the County find it difficult or impossible to participate in important or potentially important housing programs because of the absence of the necessary institutional arrangements through which the program is brought to the eligible consumer. There is no local community focus for housing concerns. For many County residents there is no place to go or number to call for reliable housing information.

Only 19 municipalities in Hennepin County, for example, have established Housing and Redevelopment Authorities, which are necessary if the municipality is to engage in public housing. Of these, only four, however, have actually developed any public housing. Most of the others are inactive or primarily involved in urban renewal activities. Although the Metropolitan Council theoretically could provide public housing, through the Metropolitan HRA, it has declined to do so as a matter of policy.

Many other subsidized programs are dependent upon local governmental initiative and capability. Many municipalities, either from disinclination or lack of qualified staff, have not undertaken them.

Our analysis of need based on Metropolitan Council Data indicates that 18 municipalities in the County had no subsidized housing as of December 31, 1979. While in 7 others less than 20% of the apparent need has been filled. (See Map A and Table C.)

The Metropolitan Council has limited its housing functions to planning, housing allocation and administering the Section (8) existing housing program and the MHFA rehabilitation grant program in participating communities. Twenty-three of Hennepin County's 47 municipalities participate in the MHRA Section (8) existing program. The Council has been reluctant to undertake housing operations. The issue facing Hennepin County, therefore, is whether it should attempt to fill the void created by lack of action at the metropolitan and local levels and increase and vary its housing functions so that all residents of the County eligible for various housing programs will have an opportunity to participate in them.

2. Production

The housing supply in the Twin Cities Metropolitan Area and in Hennepin County is falling behind demand. This is particularly true of rental housing. Although accurate numbers are not availalbe, it is probable that substantially more rental units were lost to condominium conversion and other causes than were constructed in 1979. This occurred at exactly the same time that household formation was continuing at its highest rate. A large majority of newly formed households seek rental housing either through choice or necessity. The decreased supply and increased costs of operation and utilities continue to force up rents and decrease vacancy rates. The Metro Council's report for fourth quarter, 1979, shows the lowest vacancy rates in the five years since the vacancy study was begun.

It should be noted that the present mainstay subsidy program, Section (8) subsidies for renters in existing housing does not increase the total housing supply, it simply redistributes some of the supply to lower income families or aids a family in off-setting rents which are too high for its income. In 1978 (the latest figures available), the following subsidized activity took place in the Metropolitan Area and Hennepin County:[1]

(1) Metropolitan Council, 1978 Subsidized Housing Activity in the Twin Cities Metropolitan Area, October, 1979.

	Metropolitan Area	Urban Hennepin County
Public Housing	122	0
Section (8) New Construction	752	25
Section (8) Existing	1,810	434
Section 235	115	24
Total New	989	49
Total Existing	1,810	434

Thus, most of the subsidized activity in both the Metro Area and in Hennepin County went to the existing stock of housing. It should be also understood that while the distribution of existing units to low income families and elderly benefits these families, it is not a permanent addition to the ongoing supply of housing for lower income families. These units can be reoccupied by higher income people at virtually any time.

During the 1980s, the problem of production will continue to be acute and put increasing hardships on the poor and the elderly. Can the County play an effective role in meeting it?

3. Resources

Resources for subsidized housing are inadequate and the supply is getting shorter. The Administration's housing budget for Fiscal 1981 represents a net reduction when inflation is considered. Federal subsidies for the Section (8) program for the next three years have been estimated by the Metropolitan Council at $8 million annually for the entire Twin Cities seven county area.(1) Hennepin County's allotment goal for the three years, 1980 to 1982 would be $9,970,000 which would provide 3,179 units if it were all assigned to existing Section (8) or 2,381 if it were allotted to new units. Assuming a mixture of new and existing units, this approximates 900 units per year compared with an estimated need for 30,766 units or less than 3% per year. For the area outside of Minneapolis about 480 units

(1) See: Metropolitan Council, Public Hearing Draft: Amendments to Housing Chapter Metropolitan Development Guide and 1980-1982 Subsidized Housing Allocation Plan, November, 1979.

would be available annually compared to an estimated need of 10,500[1] units or approximately 4.5% per year. These comparisons may be misleading however. Subsidies could be provided at the indicated rate and the need might not decrease. If, for example, a substantial proportion of the households formed in the next three years were of low income and forced to pay disproportionately for rent, they would offset any gain through additional subsidized units.

The State of Minnesota through the Minnesota Housing Finance Agency has an outstanding record in providing housing for low and moderate income people. It will be important that this support be maintained through the 1980s, a period of high housing demand. A number of cities in the Metro Area have developed their own housing resources through local bonding programs. Conceivably the County may be called on to provide similar bonding programs or assist smaller municipalities with their own programs, although the Congress has begun to put severe limitations on the use of municipal bonds for housing.

Non-profit corporations have stimulated the production of housing for low and moderate income people in the Twin Cities Metropolitan Area; in some cases owning and operating housing, in other cases providing front end capital, advisory services and/or management services to others. Two which have undertaken a number of successful developments are the Greater Minneapolis Metropolitan Housing Corporation (GMMHC) and the Community Development Corporation for the Archdiocese of Minneapolis and St. Paul (CDC). GMMHC is a business-backed and supported non-profit corporation which over a period of 10 years has front-ended and guided a number of housing endeavors varying from in-town single family houses to development of hundreds of multi-family units. Although most of the efforts have been in Minneapolis, it has assisted major developments in Bloomington and Eden Prairie. Typically, GMHHC has worked with community based non-profit sponsors of housing.

The CDC works with various kinds of affiliated groups around the State with much of its development work in Minneapolis and St. Paul.

Both of these corporations represent virtually untapped resources

(1) Reeves, Nancy: Memorandum Dated August 31, 1979, "(1) Estimated Current Housing Assistance Needs of Lower-Income Households, and (2) Preliminary Subsidized Housing Program Mix Goals for Metropolitan Area Communities."

as far as suburban Hennepin County is concerned. They are experienced and sophisticated in using Federal and State housing programs and have established records of providing good housing to lower income people.

Recent announcements indicate that Minneapolis and St. Paul in a combined effort may be able to mobilize foundation support and the investment of union retirement funds to provide the initiative and resources for a significant program of housing for moderate income people.

According to reports this program will finance about 2900 units in Minneapolis and St. Paul during the five year program including about 2325 new and 500 existing single family units and generally be aimed at families with between \$16,800 and \$23,100 annual incomes. Twenty percent of the units would be reserved for lower income people. The plan provides for graduated payments over a ten-year period with the first six to ten years subsidized. It assumes that incomes would rise during the period so that full payments could be assumed on the \$57,000 average priced houses. It includes provision for renovation of 300 multi-family units.

Although this program is aimed at holding or attracting young middle-income families to the central cities, it would seem equally applicable to other communities. The County should explore a similar method of expanding housing resources.

4. Housing Costs

Housing costs have been rising faster than the general inflation rate and therefore both new and used housing reaching the housing market is affordable for a smaller and smaller part of the population. Furthermore, it takes more subsidy dollars per unit to make rent supplement programs like Section (8) work.

The basic housing cost problems: skyrocketing land costs, high interest rates and increases in the cost of material and labor are not easily susceptible to local, county or metropolitan action. Although the Metropolitan Council has called for smaller lot sizes, neither its review of subdivisions nor local review has been effective in this connection. Some somewhat peripheral costs can be affected, particularly those involved in excessive local requirements and an extended local review and approval process. The county may be in a good position to work with the Metropolitan Council and the municipalities in tackling these problems. The recommendations in the recent report of the Metropolitan Council and the Association of Metropolitan Municipalities, Streamlining the Housing Development Improvement Process, are well considered and should be implemented.

a. Relationship of Housing Costs to Incomes

During the 1970s, on the average, housing costs to the consumer rose much faster than incomes. They promise to continue to do so in the 1980s.

A comparison of data from the Annual Housing Survey(1) of the Bureau of the Census for 1977 (the latest data available) with the 1970 Census Data shows that for the country as a whole, 48.6% of renters paid 25% or more of their income for rent in 1977 compared with 39.6% in 1970.

In the North Central Census Region (which includes Minnesota) 52.1% of the renters with incomes under $10,000 in 1977 paid more than 35% of their incomes for rent.

The Annual Housing Survey data indicates that for the country as a whole median rents (including utility charges) rose by 70.4% from 1970 to 1977 while the median income of renters increased by 39.7%. The median income of renters rose from $6,300 to $8,800 annually between 1970 and 1977 while the median gross rent increased from $108 to $183 per month.

A comparison of monthly housing costs for homeowners with mortgages can be made for the period from 1974 to 1977. During this time the median monthly housing costs rose by 35% while the median income of the same group increased by 24%. With the dramatic increase in mortgage interest rates which has occurred since 1977, this disparity has undoubtedly increased.

Increased mortgage interest rates added to increased construction costs has compounded the effect on the consumer. For example, based on estimates of a major local builder, the cost of building a modest

(1) See U.S. Dept. of Commerce & Dept. of Housing and Urban Development, Annual Housing Survey, Financial Characteristics of the Housing Inventory, 1977, Part C. Tables A-2, C-2.

three bedroom rambler in Bloomington increased from an estimated $58,814 in 1977 to $76,273 in 1979 or by 29.1%.

With a 90% mortgage, the mortgage would be approximately $53,000 in 1977 and $68,000 in 1979. With a term of 30% and an interest rate of 10% in 1977, the monthly payment for principal and interest would be $465. The same term and an increase in interest rate to 13% in 1979 results in a monthly payment of $752 or an increase in monthly cost to the buyer of 61%.

If the buyer were so unfortunate as to buy the house today at the 1979 price with a 15% price with a 15% mortgage his monthly payment would rise to $859 or almost twice what he would have paid in 1977 for the identical house.

Interest rates plus higher construction costs affect the renter in much the same way. The owner simply passes along the increase to the renter. In subsidized housing the added cost is picked up by the government. The rent subsidies then make the Section (8) projects affordable to the developers as well as to the renters.

b. Housing Costs and Housing Subsidies

The major housing assistance programs, the Section (8) rent supplement program, and the various State and municipal programs offering lower mortgage rates to home buyers are adversely affected by the rising housing costs and soaring interest rates.

The Section (8) program was originally heralded as prudent and conserving of resources. The amount of rent supplement under the program, however has risen steadily to keep pace with inflating costs and market rents, as the rent supplement makes up the difference between 25% of the recipient's household income and the market rent. The Metropolitan Council[1] recently estimated these supplements to average $3,187 to $4,116 annually for existing housing and from $4,344 to $5,856 for newly constructed housing. The detailed numbers are as

(1) Metropolitan Council, Public Hearing Draft: Amendments to Housing Chapter Metropolitan Development Guide and 1980-1982 Subsidized Housing Allocation Plan, November, 1979. p.11.

follows:

	New Housing	Existing Housing
Elderly	5 story, 1 bedroom $4,939	One bedroom, $3,187
	2-4 story, 2 bedroom $4,485	Two bedroom, $3,576
Family	Walk-up, 2 bedroom $4,344	Three bedroom, $4,116

The subsidy for the relatively low cost one bedroom unit in an existing building, therefore, averages $266 per month. On a national basis over the life of the program these figures become astronomical. It has been estimated that the currently authorized Section (8) program will result in a total subsidy of some $220 billion. Despite this investment of public funds, the housing ends up in private ownership.

In contrast, Federal statistics indicate that the average annual cost of new public housing units which are owned by local Housing Authorities is $3,801 or $317 per month.

State and municipal home ownership housing programs depend for their success on the interest subsidy provided by the use of tax-exempt State or municipal bonds. The difference between the market interest rate for mortgages and the bond rate allows the public agency to offer mortgage financing at under the going market rate, passing on most of the difference to the buyer or the developer. The current state of the money market has made this device less feasible as the bond rate has climbed to a point where monthly payments are not affordable by most families which qualify under the income limits established for the program. The Minnesota Housing Finance Agency, for example, had planned to sell bonds to support its Affordable Home program in April, 1980, but now has delayed the sale. Some 350 homes(1) have been financed under this program in Hennepin County (not including Minneapolis and Bloomington). About 55% of them were located in four North Hennepin communities; Brooklyn Park, Champlin, Crystal and Maple Grove. Significant numbers were also built in Mound, Richfield and Robbinsdale. Map G shows the location of the Affordable Homes.

(1) Hennepin County Office of Planning and Development, Table entitled, Urban Hennepin County Housing Assistance Provided, October, 1979.

5. Improving Existing Housing; Rehabilitation and Energy Conservation

Much of the housing inventory in Hennepin County outside of Minneapolis is over thirty years old (44,000 units) and a substantial proportion, particularly in the first ring suburbs was built prior to 1940 (25,000 units). More significantly, practically all buildings over five years old were not built to meet present day energy conservation standards and are energy wasteful.

The Federal government, the MHFA, Hennepin County, and various municipalities have been involved in home improvement, and residential rehabilitation programs, emphasizing recently various aspects of energy conservation primarily insulation, weatherstripping, etc. Either rehabilitation loans or grants or both have been made available to owners of residential property with the great bulk of the resources going to low and moderate income homeowners.

In Hennepin County, outside of Minneapolis, this effort has been confined to Minnesota Housing Finance Agency rehabilitation loan and grant programs and the allotment of CDBG funds to residential rehabilitation in varying amounts depending on interest in the local municipality. The resulting program is small and has affected less than 2% of the total housing inventory in any one community.

As of September, 1979, only five municipalities in the Urban County had as many as fifty MHFA rehabilitation loans. They were:

	Total Housing Units	MHFA Loans	Percent
Richfield	15,014	185	1.2%
Edina	17,200	98	.6%
Robbinsdale	5,562	78	1.4%
Minnetonka	11,507	58	.5%
Crystal	8,828	50	.6%

MHFA Rehabilitation grants to families with very low incomes, administered in the Urban County by the county government, add a little to these totals. These grants are important in individual cases but do not increase the total numbers substantially.

Recently, rapidly escalating costs of gas, oil and electricity combined with threatened energy shortages have added a new dimension to the home improvement picture. Homeowners are motivated to cut cost and to save energy. Although much of the County housing inventory was built post war, a large part of it was constructed when energy was cheap. Both the builders and the buyers paid relatively little heed to energy conservation. Therefore, even in houses less than 10 years old, there is a need for energy conservation measures. A program such as that recently inaugurated in St. Paul would benefit both the public interest in energy conservation and the private concern of property owners to reduce their utility bills.

C. Housing Need of Lower Income Families and Elderly Individuals

This discussion is based on the current estimates of housing assistance needs of lower income households made by the Metropolitan Council in August, 1979. The Council follows HUD definitions and includes households which are income eligible and inadequately housed. Inadequately housed is defined as:

Renter households - Households paying more than 25% of income for rent; or living in a unit lacking some or all plumbing facilities; or with more than 1.25 persons per room.

Owner Households - Households lacking plumbing; or with more than 1.25 persons per room; or (sic) built before 1939 and valued at less than $10,000 in 1970.

The method of deriving the estimates is included in the Council's Housing Division's publication, Estimated Housing Assistance Needs and Program Mix Goals for Metropolitan Area Communities,(1) and therefore, will not be detailed here.

The following table summarizes data from this report for Hennepin County, each of the municipalities outside of the Urban County and for the Urban County.

Hennepin County within the Urban Service Area

	County Total	Minneapolis	Bloomington	Hopkins	Urban County
Total Need	56,940	35,492	3,686	1,527	16,235
Individuals	26,174	15,220	1,935	772	8,247
Families & Elderly	30,766	20,266	1,151	755	8,594
Elderly	12,507	8,874	191	312	3,130
Families	15,117	9,522	800	388	4,407
Large Families	3,142	1,870	160	55	1,057

(The rural service area which includes about 4% of Hennepin County's total is not included in these figures.)

The following somewhat confusing definitions apply to this table:

Elderly include households with one or more persons with a head 62 years or older.

Individuals are all other single person households.

(1) Metropolitan Council, August 31, 1979.

Large families contain five or more persons and or require 3 bedroom units or larger.

Families are all other families of two or more persons.

Of these groups only the non-elderly individuals are not eligible for most government programs. While many of them may be only temporarily of low income; e.g. students living alone, in some parts of the County these individuals may represent a significant unmet housing need. The discussion which follows, however, is based on the estimated needs for families and elderly persons.

When Metropolitan Council needs estimates are allocated to municipalities, they range from less than 2% of the estimated 1980 housing stock in communities like Minnetonka Beach, Minnetrista and Minnetonka to over 10% in Hopkins, Excelsior and Spring Park. In ten County municipalities estimated housing need for lower income families is between 5% and 10% of the total estimated housing stock. Three municipalities, Brooklyn Park, Richfield and St. Louis Park have an estimated need of over 1000 elderly and families. An additional four municipalities have estimated needs of between 500 and 1000. The total distribution of communities by estimated need is as follows: (includes communities covered by Metro Council estimates)

Estimated Need	Number of Communities
1000 and over	4
500-999	4
300-499	3
100-299	9
50-99	3
1-49	9

In Minneapolis, a larger proportion of the need is for housing for the elderly than in the rest of Hennepin County; 43.8% as compared with 34.6%. In the Urban County, 51.2% is for families and 12.3% for large families. Although the estimated number of large families needing housing assistance is relatively small, finding three or more bedrooms is exceedingly difficult. They make up a very small percentage of the total rental housing supply and very few are being built. They are likely to command rentals which are greater than the upper limits for Section (8) housing. Ultimately finding adequate affordable housing for 1057 large families may be a considerably more difficult task than housing the much larger number of elderly or smaller families. This situation gave rise two or three years ago to the Metropolitan

Council's staff proposal for a large family public housing program. This proposal was turned down by the Council itself which has shied away from involving itself in housing operations.

The solution suggested by the Metropolitan Council may need to be undertaken. The supply of large rental housing units needs to be increased. Relatively few large units (including four or more bedrooms) have been built for rent in Hennepin County since the War. Many of these are public housing units in Minneapolis. Only 11 have been built as part of the recent subsidized housing program in Hennepin County as shown in Table A. The Housing problems of large families will continue to be of concern and should be given priority by Hennepin County.

The latest published data on the number of subsidized housing units in place or under construction in the Metropolitan Area are as of December 31, 1978.(1) Using these figures we have attempted to compare the number of subsidized units with estimates of total need for low and moderate income housing (total need equals subsidized units plus unfilled need as estimated by the Council) and express the result as a percentage. These percentages, Column D in the Table, range from Dakota County where 51.1% of the need appears to be satisfied to Urban Hennepin County where only 30.4% of the need has apparently been met. On the basis of unpublished data, up-dated to December 31, 1979, made available to us by the Metropolitan Council staff, this percentage for the Urban County increases to 33.7% (see Table D).

There are many problems in this kind of analysis. The percentages may more nearly reflect the amount of funds allocated to each County for subsidized programs than they do the intensity of effort exerted by municipal and county agencies.

Among other weaknesses, the numbers of subsidized units include owner occupied units built under FHA Section 235, many of which may now be no longer occupied by lower income people, either because incomes have increased or they have been sold to higher income families. In Hennepin County 457 units fell into this category. On the other hand,these figures do not include houses built pursuant to the MHFA Affordable Homes program which has had a significant impact in a few communities in Hennepin County.

Table C compares the 1979 subsidized housing data with current

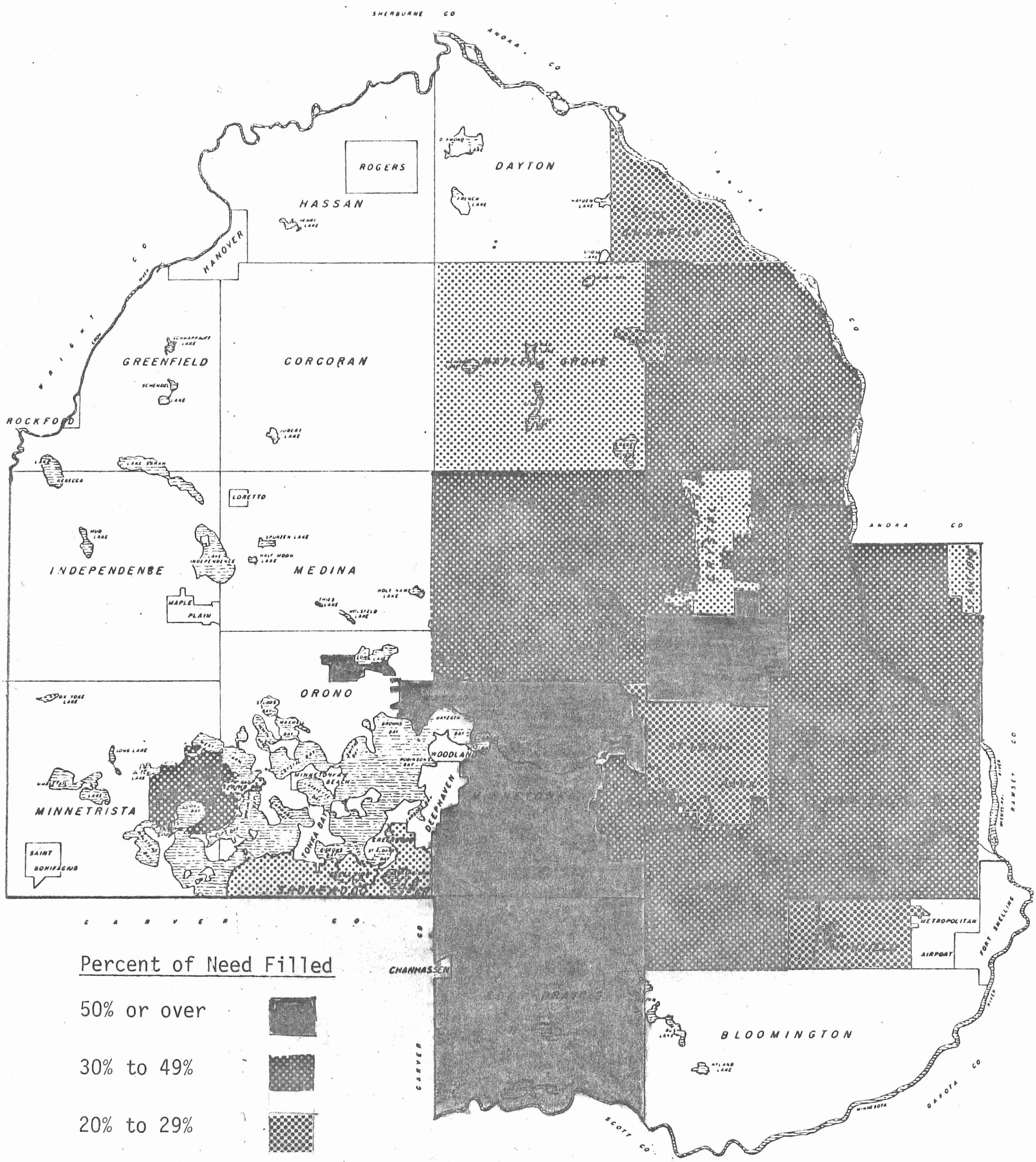
(1) Metropolitan Council, 1978 Subsidized Housing Activity in the Twin Cities Metropolitan Area, October, 1979.

Metropolitan Council estimates of need for each Hennepin County municipality. It shows that the apparent percentage of need filled ranges from 61.7% in Minnetonka to zero in 10 communities. Apparently, only 14 municipalities have met as much as one third of the estimated need through providing subsidized housing.

The 1979 figures are classified for the Urban County by families and elderly showing existing Section (8) and new construction separately, in Table D. As discussed elsewhere, existing Section (8) housing does not actually add to the housing supply but redistributes existing housing or makes such housing affordable by its lower income occupants. Table E presents the subsidized housing data for each municipality.

HENNEPIN COUNTY

Map A. Estimated Percentage of Need for Subsidized Housing for Lower Income People Filled



Percent of Need Filled

50% or over

30% to 49%

20% to 29%

Less than 20%

0%

A. Distribution of Recently Built Subsidized Houisng by Number of Bedrooms in the Twin Cities Metropolitan Area and in Hennepin County*

	Metropolitan Area		Hennepin County	
Size of Unit	Number of Units	Percent	Number of Units	Percent
Efficiency	49	1.1%	4	.2%
One Bedroom	2804	61.4	922	46.3
Two Bedrooms	1303	28.5	811	40.7
Three Bedrooms	402	8.8	242	12.2
Four Bedrooms	11	.2	11	.6
Total	4569	100.0%	1990	100.0%

*Source: 1980 Subsidized Housing Handbook Supplement. 1980 Metropolitan Council.

B. Comparison of Estimated Need and Subsidized Housing in Counties and Sections of Counties in Twin Cities Metropolitan Area.

Area	(A) Subsidized Housing Units	(B) Estimated Need	(C) Subsidized Units Plus Need A & B	(D) Percentage Need Filled A/C
Anoka County	1795	2749	4544	39.5%
Carver County	376	431	807	46.6
Dakota County	2734	2619	5353	51.1
Hennepin County	18,352	30,766	49,118	37.4
Minneapolis	13,481	20,266	33,747	40.0
Urban County	3746	8594	12,340	30.4
Ramsey County	10,165	14,702	24,867	40.9
St. Paul	8410	11,774	20,184	41.7
Ramsey Other	1755	2928	4683	37.5
Scott County	292	539	831	35.1
Washington County	936	1210	2146	43.6

C. Estimated Population 1980, Subsidized Housing Units and Need for Additional Housing for Low and Moderate Income Housing of Municipalities in Urban Service Area of Hennepin County.

Municipalities	(A) 1980 Pop.(1)	(B) Subsidized Housing 12/31/79(2)	(C) Estimated Needs 1980-82(3)	(D) Need Plus Subsidized Housing	(E) Percentage of Total Need Filled Column B/Column D
Minnetonka	41,800	375	233	608	61.7%
Eden Prairie	15,000	294	198	492	59.8%
Golden Valley	24,000	354	264	618	57.2%
Wayzata	4,200	85	71	156	54.5%
Long Lake	1,800	47	40	87	54.0%
Mound	9,500	133	151	284	46.8%
Minneapolis	375,000	13,960	20,266	34,226	40.8%
Hopkins	15,800	463	755	1,218	38.0%
Brooklyn Park	36,650	656	1,117	1,773	37.0%
Bloomington	78,700	641	1,151	1,792	35.8%
Brooklyn Center	34,000	454	828	1,282	35.4%
Edina	50,000	421	795	1,216	34.6%
Robbinsdale	15,100	181	354	535	33.8%
New Hope	23,000	268	529	797	33.6%
Plymouth	30,000	164	362	526	31.2%
Osseo	3,000	38	90	128	29.7%
Richfield	42,500	367	1,027	1,394	26.3%
St. Louis Park	46,000	331	1,253	1,584	20.9%
Champlin	8,600	30	117	147	20.4%
Crystal	28,000	72	373	445	16.2%
Excelsior	2,900	29	175	204	14.2%
St. Anthony	6,500	28	173	201	13.9%
Maple Grove	19,000	15	159	174	8.6%
Spring Park	1,650	7	101	108	6.5%
Shorewood	4,800	1	44	45	2.2%
Orono	7,300	0	54	54	0%
Deephaven	4,00	0	37	37	0%
Minnetrista	3,900	0	16	16	0%
Dayton	3,900	0	0	0	0%
Corcoran	3,750	0	0	0	0%
Tonka Bay	1,600	0	12	12	0%
Greenfield	600	0	10	10	0%
Minnetonka Beach	550	0	3	3	0%
Woodland	500	0	2	2	0%
Medicine Lake	450	0	6	6	0%

(1) Metropolitan Council Estimates.

(2) Unpublished Estimates, Metropolitan Council.

(3) Reeves, Nancy: Memorandum Dated August 31, 1979, "(1) Estimated Current Housing Assistance Needs of Lower-Income Households, and (2) Preliminary Subsidized Housing Program Mix Goals for Metropolitan Area Communities."

D. Distribution of Existing and New Subsidized Housing as of December 31, 1979 in Urban Hennepin County within the Metropolitan Urban Service Area for Elderly and Families, Compared with 1979 Metropolitan Council Estimates of Need.

	(A) Existing Section 8[1]	(B) New Construction[1]	(C) Total	(D) Estimated Need[2]	(E) Need Plus Subsidized	C/E
Family	809	1,856	2,665	5,464	8,129	32.8%
Elderly	353	1,343	1,646	3,130	4,826	35.1%
Total	1,162	3,199	4,361	8,594	12,955	33.7%

(1) Unpublished Estimates, Metropolitan Council.

(2) Reeves, Nancy: Memorandum Dated August 31, 1979, "(1) Estimated Current Housing Assistance Needs of Lower-Income Households, and (2) Preliminary Subsidized Housing Program Mix Goals for Metropolitan Area Communities."

E. Subsidized Housing in Hennepin County, December 31, 1979.[1]

Municipality	Existing Housing (Section 8) Family	Elderly	Total	New Construction Family	Elderly	Total
Bloomington	135	65	200	228	213	441
Brooklyn Center	48	56	104	338	12	350
Brooklyn Park	193	61	254	292	110	402
Champlin	20	7	27	3	0	3
Chanhassen	0	0	0	0	0	0
Corcoran	0	0	0	0	0	0
Crystal	38	11	49	23	0	23
Dayton	0	0	0	0	0	0
Deephaven	0	0	0	0	0	0
Eden Prairie	0	0	0	282	12	294
Edina	0	0	0	156	265	421
Excelsior	19	10	29	0	0	0
Golden Valley	9	4	13	129	202	331
Greenwood	0	1	1	0	0	0
Hanover	0	0	0	0	0	0
Hassan	0	0	0	0	0	0
Hopkins	39	34	73	314	76	390
Independence	0	0	0	0	0	0
Long Lake	0	1	1	16	30	46
Loretto	0	0	0	0	0	0
Maple Grove	1	1	2	13	0	13
Maple Plain	0	0	0	0	0	0
Medicine Lake	0	0	0	0	0	0
Medina	0	0	0	2	0	2
Minneapolis	1,275	85	1,360	5,374	7,226	12,600
Minnetonka	7	0	7	153	215	368
Minnetonka Beach	0	0	0	0	0	0
Minnetrista	0	0	0	0	0	0
Mound	13	3	16	67	50	117
New Hope	174	29	203	65	0	65
Orono	0	0	0	0	0	0
Osseo	28	10	38	0	0	0
Plymouth	53	19	72	92	0	92
Richfield	125	73	198	19	150	169
Robbinsdale	22	35	57	14	110	124
Rockford (pt)	0	0	0	0	0	0
Rogers	0	0	0	0	0	0
St. Anthony	24	2	26	2	0	2
St. Bonifacious	0	0	0	18	0	18
St. Louis Park	25	25	50	171	110	281
Shorewood	0	1	1	0	0	0
Spring Park	4	3	7	0	0	0
Tonka Bay	0	0	0	0	0	0
Wayzata	6	1	7	1	77	78
Woodlawn	0	0	0	0	0	0
Total	2,258	537	2,795	7,772	8,858	16,630
Total Urban County	809	353	1,162	1,856	1,343	3,199

(1) Unpublished Estimates, Metropolitan Council.

D. Housing Programs Offered within the Urban County

In this section, we discuss the housing programs which are currently being offered by some level of government - Federal, State, regional or local - within Urban Hennepin County. A brief summary of each program is followed by a description of the County's current or potential role in that program. At the end of the section there is a summary of the ongoing programs by their sources of funding and of administration.

Appendix A contains descriptions of programs which are offered outside of Urban Hennepin County. These include programs offered by three metropolitan-area HRAs: Minneapolis, St. Paul and Dakota County; and programs offered by three other urban counties: Fairfax County, Virginia; Cuyahoga County, Ohio; and King County, Washington.

These descriptions give some idea of the types and variety of programs available to local and county housing agencies. Obviously, if we had been able to sample a greater number of localities, more and different program ideas would have been revealed. The main point which this exercise makes, however, is not the specifics of the particular programs or their effectiveness, but rather the desirability of developing an organizational focus to meet the housing needs of the residents of the area. Hennepin County already has the nucleus of a staff concerned with housing needs in the members of the Development Planning unit and has the opportunity to develop a comprehensive housing program as discussed later in this report.

1. Federal Programs

Section 8 Existing Rental Assistance

The Section 8 Existing Housing Program was initiated in January of 1975. It is a rental assistance program to enable low income families whose income does not exceed 80% of the median income of the area to occupy standard units at rents they can afford. Under the program, families pay up to 25% of their income for existing rental units, with the remaining rent up to a market level determined by HUD being subsidized with HUD funds. Eligible families are issued a Certificate of Family Participation and are then responsible for finding an existing housing unit meeting HUD standards of safety and sanitation, and falling within the HUD determined "fair market rents". The program is funded by Congressional appropriations and is operated by local, county or metropolitan housing authorities. The Metro HRA operates the program for 23 participating urban county communities. (Plymouth and St. Louis Park HRAs operate their own programs.) The Metro HRA has an Interjurisdictional Agreement with the other HRAs in the metro area to assure that metropolitan-wide mobility is offered to program participants. This means that each HRA will accept a percentage of certificate holders from outside of their own jurisdiction.

The housing authorities submit applications to HUD to participate in the program and enter into an Annual Contributions Contract which is a formal agreement between HUD and the housing authority to cover housing assistance payments and other expenses of the authority in operating the program. The housing authority then accepts applications from interested families and determines applicant eligibility.

County role: Since this program requires administration by a public housing authority or housing and redevelopment authority, at this time the County is prevented form active participation by the state statute prohibiting the formation of a county HRA within the metropolitan area. With an amendment of the law and the formation of a Hennepin County HRA, technically, the HRA could apply to HUD for program participation. However, even with these changes, it is uncertain whether HUD would approve the application to operate the program or whether such approval would be desirable, given the current existence of the Metro HRA which already operates the program within the County.

The role of the County, then, in this program is, and is likely to be, to promote the program, encourage participation by urban county municipalities, and work with the Metro HRA to ensure that the program is offered in all County communities, including the outlying ones.

Section 8 New Construction and Substantial Rehabilitation

This program was initiated in 1974 to enable low income families to rent newly constructed or substantially rehabilitated units. The family pays up to 25% of its income towards rent with the remainder up to a defined market level paid by HUD. The program provides funds for housing assistance payments to the owner/developer of the new or substantially rehabilitated housing units. Participating families must not have an income exceeding 80% of the median income for the area. The program is funded through congressional appropriations and is administered by HUD.

This program is most often used in conjunction with other Federal and State housing finance programs, such as mortgage insurance or reduced interest rates, to reduce further the development costs.

After the HUD area office receives its allocation of contract authority, it publishes invitations for preliminary proposals, Notice of Funding Availability (NOFA). Developers may submit applications through the Minnesota Area HUD office or through the Minnesota Housing Finance Agency (MHFA), depending upon the financing to be used.

County role: The County can strengthen its current role in promoting the program to communities by offering assistance in matching interested developers and communities. In addition, with the current year Housing Assistance Plan (HAP), the County has worked with HUD in ranking communities for priority in receiving Section 8 funds for family, large family and elderly new construction projects, in an attempt to best match housing needs with scarce resources for housing. This cooperative HUD/County ranking is also reflected in the current NOFA.

Section 202 Housing for Elderly and Handicapped Program

This program was revised and reinstated in 1974. It provides direct loans for construction and permanent financing for nonprofit corporations and nonprofit consumer cooperatives to construct or substantially rehabilitate rental units for elderly or handicapped. All proposed projects must also be approved for Section 8 leased housing assistance. The program is always used in conjunction with Section 8 . It is funded through congressional appropriations and a revolving fund established in 1959. Section 8 allocations earmarked for joint Section 8/202 use are periodically distributed to HUD area offices.

Mortgages range from $13,975 to $42,106 per unit depending upon the number of bedrooms provided and the geographical location of the project. Morgages carry a forty year maximum term and an interest rate comparable to the current yield on outstanding marketable treasury obligations plus an administrative fee.

County role: The county's role should be the same as that for Section 8 New Construction and Substantial Rehabilitation. The HAP priority ranking includes ranking for Section 202 funds priority.

Section 235 Home Ownership Program

The Section 235 Program was initiated in 1968, suspended in January 1973, and reinstated in January 1976. The revised program enables eligible families to purchase new homes meeting HUD standards. HUD insures mortgages and makes monthly payments to lenders on the owner's behalf to reduce interest to as low as 5%. Homeowners must contribute at least 20% of their adjusted monthly income toward payment of principal, interest, taxes, insurance and mortgage insurance premiums. The income limit for occupancy is 95% of the median income for the area. Mortgage limits are $32,000 ($38,000 for homes for 5 or more persons), and in high cost areas, $38,000 ($44,000 for homes for 5 or more persons), with no limit on assets. The term of the mortgage cannot exceed thirty years or three-quarters of the estimated life of the property.

Section 235 is funded through congressional appropriations and is administered by HUD. Developers must apply directly to the HUD area office for reservation of Section 235 funds.

County role: This is another program in which the county may not actively participate but may encourage communities to cooperate with interested developers and financial institutions to utilize this program to increase low and moderate income housing opportunities.

Public Housing Program

This is one of the oldest of the Federal housing subsidy programs. It is operated only through housing authorities. It permits local housing authorities to sell bonds for the construction of or acquisition of housing units which are then owned, managed, maintained and administered by the local authority. HUD pays the debt service to retire the bonds and a portion of the operating costs of the units if needed.

HUD also funds a public housing modernization program which offers communities Federal subsidies to modernize older public housing units.

Public housing units are rented to low income families or elderly persons who meet the program restrictions. Income limits are based on family size. Currently, a single person must have a projected annual income no greater than $10,000. The maximum income is $17,850 for a family of eight or more.

Two Urban County communities participate in this program. There are 50 elderly public housing units owned and managed by the Mound HRA. The St. Louis Park HRA has 15 family and 110 elderly units, for a total of 125 public housing units.

County role: Without the legal authority of a housing authority, the County can participate in this program only indirectly by working with local communities with HRAs which are interested in building or acquiring public housing and the HUD area office. With the legal authority of an HRA, however (should the statutory changes be made and a County HRA formed), the County could operate within communities without HRAs which wish to provide public housing and which would otherwise be unable to provide and operate it.

Weatherization Program

The Weatherization Program was initiated in 1977 to assist low and moderate income homeowners and renters in making their homes more energy efficient. The program provides a grant (the maximum is usually $400) to cover the cost of weatherization materials and labor.

The program is funded by congressional appropriations through the Department of Energy (DOE) and the Community Services Administration (CSA). Additional funds are provided through the State Energy Agency. The Weatherization Program is administered in suburban Hennepin County by a private, nonprofit organization, the Natural Resources Corporation.

County role: The County should continue to coordinate this program with the CDBG and MHFA rehabilitation grants in order to provide grant recipients with the greatest amount of aid possible.

2. State Programs

MHFA Home Improvement Grant Program

The grant portion of the MHFA's home improvement program was initiated in 1976 to assist very low income homeowners in correcting defects in their residences to enable the homes to remain a viable part of the housing stock. A maximum $5,000 grant is available to applicants with an adjusted gross income below $5,000 and assets below $25,000. The grant must be used to make basic improvements in the home (to correct health and safety or energy-related deficiencies), or to increase home accessibility to the handicapped. The homeowner selects a contractor to perform the work, and the contractor must sign a warranty attesting to the quality of the work performed. The administering entity pays the contractor directly for work performed. If the home is sold or otherwise transferred within 7 years, a fixed portion of the grant must be repaid.

The program is funded by MHFA through legislative appropriation. It may be administered by Hennepin County or participating cities under either Hennepin County, Metro HRA or MHFA supervision. Hennepin County administers the program in 28 cities; 8 cities administer their own programs under Hennepin County supervision; and 5 cities administer programs under supervision by the Metro HRA or MHFA.

County role: The County should continue to offer communities its services as program administrator, and to coordinate the MHFA grant program with CDBG rehab grant programs. It should also publicize the program and ensure that the total grant allocation to Hennepin County communities is used. To encourage this end, the County should continue to reallocate funds from communities with an insufficient number of applications to communities with a surplus of applications after the initial application period. The current rotational system for reallocating funds should be retained. Under this system, after applications taken during the initial period are funded, grants are funded on a one by one basis, rotating by community. The rotation order is determined by the date of the first application in each community. Thus, the community with the earliest application will be first in line, the community with the next earliest first application application will be second in line and so on.

MHFA Home Improvement Loan Program

The Home Improvement Loan Program was initiated in 1975 to provide loans to low and moderate income homeowners at below-market interest rates. Loans may be made up to $15,000 with 15 years to repay. The interest rate is adjusted according to the applicant's gross income, from 1% to 8%. The applicant's adjusted annual income must be less than $16,000. Loans may be used for a variety of housing improvements including increasing the unit's code compliance, marketability, energy efficiency, or simply making the unit more habitable.

The program is funded by MHFA through bond sales and it is administered through local lending institutions.

County role: There is no role for the County in the operation of this program other than promotion of the program and relating it to the MHFA and CD grant programs. Non-qualifying applicants for the grant program should always be referred to the loan program.

MHFA Affordable Homes Program

The Affordable Homes Program is a single-family below market interest rate mortgage program for new or existing homes. It was initiated in 1976. The interest rate on the mortgage is based upon the rate at which tax exempt bonds are sold by MHFA to fund the program. It is funded through legislative appropriations as well as through the bond sales. It is administered through participating financial institutions. The applicant must have an adjusted gross income of less than $16,000. Priority is given to applicants with an adjusted gross income of less than $12,000. The maximum sales price of the home is $37,500 for the metro area. The maximum term is 30 years with an interest rate of one to eight percent.

Although at the present time funds have been used up for this program, MHFA expects to sell bonds this spring and summer to fund the program. The new program period will start in July of this year.

County role: Because the program is administered through lending institutions, the county plays an indirect role through promoting the program and encouraging lending institutions' participation and community cooperation. The County might also consider leveraging participation in the program by financial institutions in which Hennepin County is a depositor.

MHFA Home Ownership Assistance Fund (HAF)

This program is a companion to the Affordable Homes Program. It offers a no-interest loan to eligible applicants who are buying their first home or who have not owned a home within the last two years. All eligible applicants must have been approved for an Affordable Home mortgage. Assistance from this program is in the form of a separate "piggyback" loan, secured by a second mortgage on the property. The loan helps lower monthly payments in the first fifteen years of the mortgage and provides for gradual increases as household income rises in the second fifteen years. The maximum loan is $15,000.

The program was initiated in 1971 and is financed by MHFA through legislative appropriations and the sale of tax exempt bonds. The HAF is a revolving fund. The program is administered by MHFA.

County role: The appropriate role for the County in this program is that of publicizing and promoting the program in conjunction with promotion of the Affordable Homes Program.

3. Local Programs

Local and CDBG Grant Programs

The Community Development Block Grant Program (CDBG) was initiated in 1975 and replaced eight categorical grants under which funding was approved on a project-by-project basis. The CDBG program is funded by a single yearly grant giving participating communities increased flexibility in the use of funds.

The suburban communities of Hennepin County participate in this program through the Federally designated Urban Hennepin County (UHC). (For the purpose of this program, an urban county must have a population excluding the population of all entitlement cities within the county of at least 200,000.) Each year, communities which want to participate in the program enter into a formal cooperating agreement with the Urban County.

The application process is a complicated one. From the initial stage of project proposals by municipalities to developing the proposals to meet the program requirements; facilitating citizen participation; ranking projects; and preparing the final application, the process is coordinated by the Urban County staff working closely with the municipalities. As the grantee, the UHC disperses grant funds and is also responsible for monitoring and performance reporting of all grant activities.

Housing rehabilitation programs are eligible community development activities. The CDBG Home Improvement Grant programs were introduced to assist low and moderate income families in correcting defects in their residences so that the houses remain a viable part of the housing stock. Grant programs are funded by local communities out of their CDBG entitlements. Communities may opt to have the County administer the program, or administer the program themselves under the County's supervision. The County monitors all the individual programs.

Most local rehab grant programs closely parallel and are supplementary to the MHFA grant program. Income limits vary from $5,000 to the Section 8 limits, and maximum grant amounts have varied from $2,000 to $10,000 (most often $5,000), although the County is now trying to assure greater uniformity among these programs across the County.

County role: In the CDBG programs, the County should continue to offer administrative services to all interested communities, should work with communities to establish minimum standards for income limits and grant amounts, and should closely monitor the programs for possible abuse. The County should also encourage community innovation beyond the minimum standards and should make all communities aware of individual successful programs.

In addition, the County should encourage community committment of local funds to support rehab programs and should offer support in the form of technical assistance (including staff support if desired), and background information to communities establishing such programs.

Other Local Housing Assistance Programs

Another use of both local funds and Federal community development funds for housing has been for site acquisition and land cost write-down programs for housing projects. In this way, public funds are used to leverage private investment in housing.

The Robbinsdale and Richfield HRAs have both acquired housing properties. In Richfield, some of these have been used as scattered site rental housing for low income families under Section 8 Existing, pending redevelopment. Richfield also operates a New Home Program funded half from CDBG Year II funds and half from the proceeds from the sale of city-owned lots. It is a land cost write down program for new home construction. Robbinsdale had developed a scattered site development program where substandard properties have been acquired, rehabilitated or redeveloped, and then resold.

County role: The County should encourage local innovation in housing programs, provide technical assistance and information in program development. It should also support local community development proposals to leverage private investment in housing through land cost and development cost write-down.

PROGRAMS BY FUNDING SOURCE AND ADMINISTRATIVE AUTHORITY

I. Existing Housing

A. Single Family

1. Rehab

a. MHFA Home Improvement Loan

Funding Source: MHFA through sale of revenue bonds
Administered By: MHFA through lending institutions

b. MHFA Home Improvement Grant

Funding Source: MHFA through legislative appropriations
Administered By: Hennepin County, Metro HRA and individual local communities

c. Weatherization

Funding Source: Federal congressional appropriations through CSA, DOE, also State Energy Agency
Administered By: Natural Resource Corporation, a private non-profit organization

d. Local CDBG Rehab Loan & Grant

Funding Source: Community Development Block Grant by Federal congressional appropriations
Administered By: Hennepin County, local community (or HRA) with Hennepin County monitoring (HUD program)

e. Section 312 Rehab Loan

Funding Source: Federal congressional appropriations
Administered By: Community or County HRA (HUD program)

2. Rental Assistance - Section 8 Existing

Funding Source: Federal congressional appropriations
Administered By: Metro HRA, individual HRA (HUD program)

3. Scattered Site Rental Housing

Funding Source: Local community possibly utilizing Federal funds for acquisition
Administered By: Local community or HRA

4. Homeownership - MHFA Affordable Home

Funding Source: MHFA through the sale of revenue bonds
Administered By: MHFA through lending institutions

B. Multi Family

1. Section 8 Moderate and Substantial Rehabilitation

Funding Source: Federal congressional appropriations
Administered By: HUD with MHFA

2. Section 312 Rehab Loan

Funding Source: Federal congressional appropriations
Administered By: Community or County HRA (HUD program)

3. Public Housing

Funding Source: Federal congressional appropriations
Administered By: Local community HRA

II. New Construction

A. Single Family

1. MHFA Affordable Home

Funding Source: MHFA through sale of revenue bonds
Administered By: MHFA through lending institutions

2. Section 235 Homeownershop

Funding Source: Federal congressional appropriations
Administered By: HUD

B. Multi Family

1. Section 8 New Construction

Funding Source: Federal congressional appropriations
Administered By: HUD with MHFA

2. Section 202 Housing for Elderly & Handicapped

Funding Source: Federal congressional appropriations
Administered By: HUD

3. Public Housing

Funding Source: Federal congressional appropriations
Administered By: Local community HRA

TABLE F

Housing Programs by Funding Sources and Administering Entity.

FUNDING SOURCES

ADMINISTERING ENTITY	FEDERAL	STATE (MHFA)	METRO HRA	COUNTY	LOCAL
FEDERAL (HUD)	.Section 8 New Construction, Moderate & Subst. Rehab .Section 235 Hmowship .Section 202 Hsg for Elderly & Handicapped	.Section 8 New Construction, Moderate & Substantial Rehab			
STATE (MHFA)		.MHFA Home Improvement Loan .MHFA Affordable Home			
METRO HRA	.Section 8 Existing	.MHFA Home Improvement Loan			
COUNTY	.Weatherization .CDBG Rehab Loan & Grant .Section 312 Rehab Loan*	.MHFA Home Improvement Grant			
LOCAL	.CDBG Rehab Loan & Grant .Section 312 Rehab Loan .Section 8 Existing .Public Housing	.MHFA Home Improvement Grant			.Scattered Site Rental Housing

*Proposed

TABLE G . SUMMARY OF FUNCTIONAL ANALYSIS OF HOUSING PROGRAMS.

YES = x
NO = o

	Section 8 New; Rehab/Section 202	Section 8 Existing	Section 235	Weatherization	MHFA Grant	MHFA Loan	MHFA Affordable Home	Local Rehab (CD)	Public Housing	*Technical Assistance	*Section 312
1. ECONOMIC											
a) Benefit Area											
1. Benefits consumed within jurisdiction?	x	x	x	x	x	x	x	x	x	x	x
2. Consumption confined to individuals?	x	x	x	x	x	x	x	x	x	o	o
3. Consumption broadly distributed?	o	o	o	o	o	o	o	o	o	x	x
b) Start-Up Costs											
1. Require skilled prsnnl?	x	x	x	x	x	x	x	x	x	x	x
2. Facilities available?	x	x	x	x	x	x	x	x	x	o	o
c) Economies of Scale											
1. Are there economies of scale?	x	x	x	x	x	x	x	x	x	x	x
2. Are there diseconomies of scale?	o	x	o	x	o	o	o	o	o	o	o
2. POLITICAL											
a) Geographic jurisdiction adequate?	x	x	x	x	x	x	x	x	x	x	x
b) Have legal, admin., & financial ability?	x	x	x	x	x	x	x	x	x	x	x
c) Sufficient functions:											
1. involve resolutions of conflicting interets?	x	x	x	o	x	x	x	x	x	x	x
2. balance needs & resource?	x	x	x	o	x	x	x	x	x	x	x
d) Controllable by and accessible to residents?	x	o	x	o	x	x	x	x	x	x	x
e) Maximize opportunity for citizen participants?	o	o	o	o	x	o	o	x	x	x	x

*Functions proposed to be performed by Hennepin County.

E. Housing Programs Allocation Analysis

Table F Housing Programs by Funding Source and Administering Entity illustrates the pattern of participation in housing activity as it exists in Hennepin County. As these different housing functions are allocated among the different levels of government, it can be seen that each level is involved in housing by funding or administering a program, or both. The pattern visible today is a result of our political history.

The early dominance of the federal government in housing policy was a result of governmental response to the Great Depression. The "cooperative" federalism of that era represented the first major intervention of the federal government into the jurisdictions of the states and cities, and federal social service programs were established. Federal dominance continued throughout the 20th century to the Johnson Great Society and the Nixon "new federalism" programs. These housing programs were largely an attempt to meet existing need which there was little attempt by any other level of government to meet. With the exception of local government participation in public housing, the other levels have begun widespread participation only in the last decade.

Other factors leading to the present pattern of allocation of housing functions include: increased flexibility in federal programs (such as the replacement of categorical grants by the Community Development Block Grant); the creation of the Minnesota Housing Finance Agency and the Metropolitan Council HRA; the trend towards grass roots control; and, the revitalized interest in local communities in taking a leadership role in the provision of services for their citizenry.

The incremental approach to assignment of housing functions, however, does not necessarily take efficiency into consideration. The political and historical influences and circumstances which led to this current pattern may have resulted in inappropriate and conflicting functional assignment among state, regional and local governmental entities.

In this section, we present a framework which can be used to analyze the allocation of housing programs. It can be used to determine whether an existing function is being performed by an appropriate unit of government. It can also be used to discover which unit of government should most appropriately perform a proposed new function. Table G at the end of this section summarizes the results of applying the framework to existing programs and to proposed functions which Hennepin County could perform. A detailed application of the framework to each program and function is contained in Appendix B .

In a 1974 report,[1] the Advisory Commission on Intergovernmental Relations (ACIR) recommended a state-local assignment of functions policy and process which would incorporate the following four criteria:

1. Economic Efficiency. Functions should be assigned to jurisdictions:
   a. that are large enough to realize economies of scale and small enough not to incur diseconomies of scale;
   b. that are willing to provide alternative service offerings to their citizens and specific services within a price range and level of effectiveness acceptable to local citizenry; and
   c. that adopt pricing policies for their functions whenever possible.

2. Fiscal Equity. Appropriate functions should be assigned to jurisdictions:
   a. that are large enough to encompass the costs and benefits of a function or that are willing to compensate other jurisdictions for the service costs imposed or for benefits received by them; and
   b. that have adequate fiscal capacity to finance their public service responsibilities and that are willing to implement measures that insure interpersonal and interjurisdictional fiscal equity in the performance of a function.

3. Political Accountability. Functions should be assigned to jurisdictions:
   a. that are controllable by, accessible to, and accountable to their residents in the performance of their public service responsibilities; and
   b. that maximize the conditions and opportunities for active and productive citizen participation in the performance of a function.

4. Administrative Effectiveness. Functions should be assigned to jurisdictions:
   a. that are responsible for a wide variety of functions and that can

(1) Advisory Commission on Intergovernmental Relations, Substate Regionalism and the Federal System, Volume IV: Governmental Functions and Processes: Local and Areawide (Washington, D.C.: U.S. Government Printing Office, 1974).

balance competing functional interests;

b. that encompass a geographic area adequate for effective performance of a function;

c. that explicitly determine the goals of and means of discharging public service responsibilities and that periodically reassess program goals in light of performance standards;

d. that are willing to pursue intergovernmental policies for promoting interlocal functional cooperation and reducing interlocal functional conflict; and

e. that have adequate legal authority to perform a function and rely on it in administering the function.

The framework which is presented at the end of this section incorporates these criteria.

It is clear that some housing programs are unlikely to be reassigned to another level of government by reason of their authorizing legislation. For example, many of the federally funded programs are designed to be administered be HUD. Others require administration by a Public Housing Authority (PHA) or Housing and Redevelopment Authority(HRA). It is equally clear, however, that Hennepin County can meet the criteria for operating many programs.

1. Economic Efficiency. Hennepin County is large enough to realize economies of scale in many programs, particularly when operating them in small communities which in the past have had low capacity for and little effort in housing activity. However, it may be inappropriate for the County to administer a program in a community with an ongoing program which is large enough in itself to realize economies of scale, dependent upon other factors. It should also be recognized that whether or not a community will realize economies of scale in the future depends, in part, upon the patterns of local government staffing. Clearly, for example, whether a community adds or deletes a housing specialist position would impact the economies of scale question.

The County would also be in a position to offer a variety of programs to provide service competition for citizens in need of housing assistance.

2. Fiscal Equity. Generally, the County is large enough both physically and population-wise to avoid economic externalities. In most programs, direct benefits are consumed by the individual client. Spillover benefits such as increased neighborhood property values or improvement of housing stock may accrue to the Metropolitan area outside of the County, but at no addi-

tional cost to the County. (A concern is whether direct benefits should be available to the entire metropolitan area; i.e., should there be metropolitan-wide accessibility of all programs?)

Although the County does support housing programs in the Urban County through its federal Community Development Block Grant, it does not currently fund any housing program through County-raised revenues. It does have the fiscal capacity to raise revenues through taxation and bond sales, and could ensure fiscal equity by offering programs which would be uniform throughout the County.

3. Political Accountability. Because the County is governed by an elected Board of Commissioners, it is controllable by and accessible to residents, theoretically, at least. Because of the large constituency of the Commissioners (District 5 contains 27 communities, for example), it may be difficult for the average citizen to have input inot the political process. Therefore, it is important that the County increase the citizen's access to and impact on the political process by providing opportunity for active citizen participation not only in the performance of the housing programs, but also in the preparation of the housing plan. There is an existing citizen participation process in place in the Urban County for the Community Development Block Grant program which could be expanded for utilization in all the County's housing functions. County housing staff, too, are also important in increasing political accountability by their sensitivity to the housing needs of county residents and their ability to communicate these to the political decision makers.

4. Administrative Effectiveness. The County is a general purpose government with functions ranging from welfare to roads and must balance these competing interests. The geographic area is adequate for effective performance of functions. It does determine program goals and reassesses them in view of performance standards. Housing objectives would be determined in the process of preparing the housing plan. The formal functions of the Housing Services Office should include reviewing program performance and restating program objectives. Many of these administrative functions are already being performed by the Development Planning staff in their administration of the Community Development Block Grant program.

The County has shown its willingness to promote inter-local functional cooperation. In 1979, the Board established an Environmental Health Program which provides participating communities with sanitation inspections and

and education in public health-related issues. Currently, the County has the legal authority to perform those housing functions not requiring an HRA. If the state law could be amended to allow Hennepin County to form an HRA, legal authority in housing would be even greater.

Thus, the County has the capacity to meet the four criteria, given a commitment to doing so. It is conceivable, however, that a local community could also neet the criteria, and would have the political advantage of being more accessible and accountable to the citizens. Clearly, it is also the case that housing problems do not stop at the County boundaries any more than they do at municipal boundaries. A metropolitan or state agency with the legal authority, the economic efficiency, fiscal capacity and willingness to perform in the housing arena may be the more appropriate agency to do so.

There are gaps between the capacity of the local and the capacity of the metropolitan/state governments. Examples include cases where the local government does not have the staff or the resources to offer to its own residents programs which are available to other County residents; where the entity with the legal authority to operate a program elects not to do so (such as the Metro Council's decision not to participate in public housing); and, where there is currently no entity with the legal authority to operate an existing program within the County (such as Section 312, which could be offered to the suburban communities by the County). Where these gaps exist, the County , upon meeting the criteria, can and should take housing responsibility.

Framework For Determining Which Level of Government Should Appropriately Provide Service

1. Economic

   a) Benefit area.

      1) Is the governmental jurisdiction large enough to enable benefits from the service to be condumed primarily within the jurisdiction?

      2) Is consumption confined to individuals?

      3) Is consumption broadly distributed throughout the community?

   b) Start-up costs.

      1) Does it require skilled personnel?

      2) Are there facilities available to house the function?

   c) Economies of scale.

      1) Do costs of output per unit decrease with increased output, i.e., are there economies of scale?

      2) Are there any diseconomies of scale?

2. Political.

   a) Does the unit of government have a geographic jurisdiction adequate for effective performance?

   b) Does the unit of government have the legal, administrative and financial ability to perform the function?

   c) Is the unit of government responsible for a sufficient number of functions so that:

      1) Its governing processes involve a resolution of conflicting interests?

      2) It must balance needs an resources and be responible for resource utilization?

   d) In its performance of functions, is the unit of government controllable by and accessible to its residents?

   e) Does the unit of government maximize conditions and opportunity for citizen participationand perform the function adequately?

F. Rehabilitation Using Federal Section 312 Financing

We have been asked to make a more detailed analysis of the Federal 312 rehabilitation program and its potential use in Hennepin County. The 312 program is particularly interesting, because of its 3% interest rate, its flexibility and its applicability to a variety of structures, single-family, multi-family, non-residential and mixed use buildings. It is the only program which provides direct Federal loans to property owners for residential improvement.

1. Current Program Requirements

The recent Rehabilitation Loan Processing Training Manual published by HUD and the National Association of Housing and Redevelopment Officials provides an excellent summary of the program as follows:

> Section 312 of the Housing Act of 1964, as amended, and the Housing and Community Development Amendments of 1978 provide for direct Federal loans to property owners for the rehabilitation of residential, nonresidential, and mixed-use properties. The loans are made at 3 percent interest and they have a 20-year maximum term. Priority is given to applications by low- and moderate-income persons.
>
> The purpose of the residential loans made under Section 312 of the Housing Act of 1964, as amended, is to enable low- and moderate-income people to improve their homes and to promote property rehabilitation in designated areas of the community. Localities administer the 312 program to achieve their local revitalization objectives in these designated areas.
>
> Initially loans under Section 312 were a part of a locality's urban renewal or concentrated code enforcement program aimed at bringing properties up to local code requirements. Since the enactment of the Housing and Community Development Act of 1974, a major use of 312 loans has been as a complement to local property rehabilitation programs or activities such as, loan programs funded by Community Development Block Grant, Section 8 (moderate and substantial rehabilitation) and other State or local rehabilitation efforts.
>
> Some communities use the Section 312 loan program as a model for their own local rehabilitation program funded by local, State or Federal funds.
>
> The Federal government and local governments share responsibilities in carrying out the legislative mandates of the 312 program. Their respective responsibilities are:
>
> - HUD is the lender;

- Local governments process the loans -- take applications, develop the necessary construction and other supporting documentation for the loan application package, arrange loan settlement, and follow-up on rehabilitation jobs; and
- HUD services the loans -- e.g., collects principal and interest.

The current basic requirements for 312 loans as provided by Section 312 of the Housing Act of 1964 as amended and Section 101 of the Housing and Community Development Amendments of 1978 are:

. 3 percent interest rate which may be increased by HUD for families with incomes of more than 80% of the area median.

. Term not to exceed 20 years or 3/4 of remaining economic life of the property.

. Priority for low and moderate income applicants.

. Applicants must own property and be unable to obtain loans on comparable terms from other sources.

. Condominiums and cooperatives are eligible.

. Property must be located in an urban renewal or code enforcement area where the locality has certified that there are a substantial number of structures in need of rehabilitation; the rehabilitation is part of an approved community development or urban homestead program under Community Development Act of 1974; or property has been determined to be uninsurable because of physical hazards.

. For multi-family properties limited to 100 units unless alternative forms of financing are not available and a loan is essential to meet community development needs of the neighborhood. Property must be located in a low or moderate income neighborhood or have a majority of low or moderate income tenants.

. Loans are limited to $27,000 per dwelling unit or $100,000 per non-residential property.

. Loans must be an acceptable risk as determined by HUD.

. Eligible purposes are to meet code requirements, to carry out objectives of an urban renewal plan, to improve condition of property, to correct physical hazards which make property uninsurable and to meet cost effective energy conservation standards.

. Loan may cover rehabilitation costs and refinancing of outstanding indebtness.

2. Proposed Changes in Requirements

HUD has prepared some significant changes in 312 requirements which are included in a rule now under review by the Congress. The basic thrust of these requirements is to raise the interest for higher income owner occupants, tighten up the program, and target it more specifically at lower income owners and areas. The major changes include:

Interest Rates

The interest rate will be changed to 6% for single-family owner-occupied houses with borrowers whose incomes are from 120% to 200% of the area median, and to 9% for single-family house borrowers with incomes above 200% of the area median. The 3% interest rate will remain for multi-family structures, for investor owned single-family structures and for mixed-use and non-residential properties, owner occupants whose incomes are less than 120% of the median or any occupied single-family structure where the loan is used to leverage private financing covering at least 50% of the total rehabilitation cost.

Eligible Area

The rule would restrict loans to properties within block grant Neighborhood Strategy Areas or "similarly designated areas" in localities receiving small city block grants. Urban renewal areas, neighborhood development and concentrated code enforcement areas, urban homesteading and UDAG areas will continue to be eligible.

Local Approval Authority

The rule would encourage local responsibility for loan approval. All localities having committed over $200,000 in general use or urban homesteading rehabilitation loans for any previous two years will be required to assume loan approval authority beginning 18 months after effective date of the rule. Other communities which have demonstrated the capacity to carry out either a block grant or 312 loan program may assume approval authority, but they are required to share part of the risk for locally approved multi-family and non-residential loans by contributing part of the loan.

Priority for Low and Moderate Income Owners

The new rule does not specifically require priority for serving low and moderate income owners. Localities may make loans to higher income owners under certain circumstances such as when conventional financing is not available and the work will stimulate neighborhood revitalization or when the loan would help provide housing employment or services for lower income people.

Term

The term is to be "shortest reasonable consistent with owner's ability to pay." The maximum remains 20 years.

Refinancing

Loans may be used to refinance outstanding debt only as a last resort and only to borrowers whose incomes are below 95% of the median.

Contingency

Contingency reserves are to be raised from 3% to 10% for multi-family, non-residential and mixed use structures, to 5% for one to four unit structures, and 15% for self help structures.

Rent Regulation

Rent regulation will be enforced on renter occupied buildings for the first five years.

In addition to these changes by administrative rule, the 1981 reauthorization act proposed to raise the maximum loan to $35,000 per unit from the present $27,000 for residential properties.

3. Use of 312 Financing

Since its inception in 1964, Section 312 has been used primarily to finance the rehabilitation of owner occupied single-family homes, although it has also been available for multi-family, non-residential and mixed use structures. Recently, 312 loans have been increasingly used for multi-family structures as the Federal Government and localities have paid increasing attention to the rehabilitation of rental housing. This program has had the advantage of being directly financed by the Federal Government without the intermediary of a private financial institution. It can therefore be targeted more directly for a particular demonstration program and remain under direct Federal control.

Since the passage of the Community Development Act of 1974 and the greater use of CDBG funds as well as municipal bonding funds for residential rehabilitation, 312 has been used in many communities in combination with locally inititated funding.

Initially, 312 was thought of as a flexible device for providing rehabilitation loans in urban renewal areas where conventional sources of lending were not readily available and low interest rates were needed to stimulate action. Because the emphasis was renewal of the area, rather than on buildings owned by low income people, there was no income limit as to the recipient. Higher income owners of buildings in these areas might find private financing difficult if not impossible because of the nature of the area and therefore the Federal loan would smooth the path and encourage rehabilitation of their houses as well as those of the lower income people.

Because of the procedural requirements (red tape) surrounding 312 loans, they were considered to be relatively complicated and required a local staff versed in their intricacies. Some localities tended to shun the program rather than build up the staff capacity to handle it. A 312 loan required more patience on the part of the recipient and the local agency than other types of financing, FHA Title I or MHFA rehabilitation loans for example. Thus only the persistent and those who thoroughly understood the great advantage of 3% interest were likely to stay with the process.

Another limitation in the 312 program resulted from the insistence of the Federal government that buildings be brought up to local building code standards which was not necessarily the case with other types of financing.

Locally, the program has been used by Bloomington and Minneapolis but most frequently by St. Paul. Relatively early the St. Paul Housing and Redevelopment Authority (now the Planning and Economic Development Department) developed capability in its rehabilitation staff to work closely with property owners over an extended period of time which seemed to be necessary to carry on a successful 312 program. To date, St. Paul has processed 441 312 applications and has lent some $6,000,000 in 312 funds. Even in St. Paul, however, 312 loans have represented a relatively small part of the total rehabilitation program. For the current year St. Paul has an allocation of $1,265,000 for single-family and $1 million for multi-family 312 loans. The 312 loans are playing a substantial role in St. Paul's multi-family programs. Recent information received by the St. Paul Planning and Development Department, indicated that its 312 allocation may be drastically reduced for fiscal 1981.

The Department of Housing and Urban Development has been inclined to use 312 financing in demonstration rehabilitation programs. For example, currently, 312 loans are being used in connection with selected multi-family urban homesteading projects in six cities, Hartford; Springfield, Massachusetts; Oakland; Boston; Cleveland and Chicago. Various combinations with other types of financing and sweat equity are being tried. HUD has also recently set aside $2.5 million for demonstration commercial redevelopment projects. Ten cities have been invited to submit proposals. Selected cities will receive allocations of up to $500,000 for each of two projects in the City.

Section 312 financing has been used very little locally for commercial rehabilitation. St. Paul has found that the neighborhood business revitalization program sponsored by the National Development Council using Small Business Administration loans through local institutions is more feasible for its extensive commercial rehabilitation program. Actually, 312 was used in only one case in conjunction with other financing mechanisms.

Use of 312 Financing in Urban Hennepin County

Two major constraints may limit the involvement of Hennepin County in the 312 program: reduced Federal funding and limitations in the definition of eligible areas.

There is every likelihood that the amount of funding available will be considerably reduced in 1981. The President's revised budget announced March 31 proposes a significant cut in the program.

When special allocations such as those described above for multi-family homesteading and for commercial demonstrations are taken into account, the total allocable to usual single and multi-family housing is further reduced. Urban Hennepin County will be contending for these funds with communities which have a successful history of using 312 funds.

The other difficulty relates to qualifying distressed areas in the Urban County as eligible for 312 funding. The Federal government has been attempting to concentrate its housing programs, including 312, in designated small areas which meet criteria relating to income, condition of housing and neighborhood need. In large cities these areas are dubbed

Neighborhood Strategy Areas. HUD has recognized that similarly distressed areas exist in smaller communities receiving small city block grants. Hennepin County has been working with other urban counties to qualify similar areas in the counties for government housing programs including 312 loans. The County should continue this effort as there are a number of areas in the County which could benefit from the 312 program.

Successful administration of the 312 program requires a staff which has developed competency in construction and building technology, and in financing various types of rehabilitation and which is versed in the program 's procedural requirements. It would be uneconomical if not impossible for smaller municipalities in the County to independently develop the capability to take advantage of the 312 program. On the other hand, the County staff can become informed in all aspects of the program and achieve important economies of scale in its administration. County-wide volumes of activity should be sufficient to demand a substantial commitment of its time by one or more staff members. The County would perform a real service to its residents and communities by assuming the role of 312 administrator for cooperating municipalities in the Urban County.

The County has the further advantage of being able to coordinate 312 financing with rehabilitation funded through CDBG funds, MHFA loans and grants and other local sources of financing. The County most probably will find the greatest use for 312 financing in connection with owner-occupied single-family houses, but also should explore the need in connection with multi-family and commercial structures. In connection with the latter, the improvement loans available through the Small Business Administration should be explored.

County staff should seek to learn from the experienced staff in those municipalities now engaging in the 312 program, particularly those versed in using the program in multi-family housing.

G. Housing Functions

1. Planning and Programming

Housing planning and programming are a responsibility at all levels of government. Municipalities in the Metropolitan area are required to develop housing plans and programs by state law. They must also assume planning responsibilities if they are to participate in Federally assisted housing programs. The Metropolitan Municipal Planning Act of 1976 directs each municipality to develop a comprehensive plan and submit it to the Metropolitan Council for review by July 1, 1980. These plans are currently being prepared and reviewed although very few have yet reached the Council. Council Staff faces a major review work load this summer.

While municipal plans are referred to the County government for review and the County must itself prepare a plan, the County's role under the Metropolitan Municipal Planning Act is somewhat peripheral. The major line of communication is between the Metropolitan Council and the individual municipality. Currently, however, some housing programming responsibilities rest with the Hennepin County government. Under Federal regulations, as an urban county, Hennepin County is responsible for the community development program for all of its cooperating municipalities. The County prepares its program and application to HUD on the basis of programs developed by the municipalities.

As the basis for planning, the Metropolitan Council has developed forecasts of population, households, and employment based on 1977 studies. These region-wide estimates have been allocated to counties and municipalities for 1980, 1990, and 2000. Metro Council has also used data derived from recent Polk Directory surveys. The Polk data, however, are not available for all parts of Hennepin County nor are they generally considered as reliable as Census data.

The Council's population, employment and housing forecasts, together with its estimates of housing need for lower income families and elderly individuals, form the basis for its housing allocations for the next three years. Through use of a formula incorporating need considerations, projected growth and other factors the Council has divided the total expected allocation of Section 8 funds (estimated by the Metropolitan Council at $8,000,000 annually) among the municipalities within its urban services area in the seven county region. These allocations will form the basis for the Council's dispersal of existing Section 8 housing and also its review of proposals to construct new or substantially rehabilitated Section 8 . Section 8 is expected to provide the bulk of subsidized housing for lower income people during the period 1980-1982.

The Metropolitan Council's population forecasts "indicate a growth level which would be consistent with current Council policy".(1) The Development Guide states that they will be used in "calculating demands for regional systems, in preparing regional plans, in the A95 review process and in other reviews of plans, programs and projects."

The Guide expresses the need for flexibility in using these forecasts. The Guide states:

> Urban Service Areas
>
> A. Freestanding Growth Center and Area of Planned Urbanization - These forecasts indicate the general growth level that would be consistent with these designations. They should not necessarily be viewed as an upper limit on growth in the Freestanding Growth Centers or on communities in the Area of Planned Urbanization, if it can be shown that the greater growth can be accommodated. Local forecasts significantly below these forecasts could be inconsistent with Council policy if the demand for growth in that sector is not being adequately accomodated.
>
> B. Fully Developed Areas and Metro Centers - Because of their lack of available land for new development, prevailing demographic conditions, and Development Framework policies, the forecasts in the Fully Developed Areas would be more usefully viewed as a lower limit rather than as an upper limit to growth. In general, higher growth forecasts by these communities could be supportive of Council policy, provided that system capacity is available or can be reasonably provided.

The Guide points out that the forecasting method is most reliable at the regional level implying that less reliance should be placed on the allocations for municipalities. The method being one of establishing a total first and then subdividing it means that less confidence can be

(1) Metropolitan Council, Public Hearing Draft: Amendments to Housing Chapter Metropolitan Development Guide and 1980-1982 Subsidized Housing Allocation Plan, November, 1979.

placed on the municipal numbers especially for smaller municipalities where the change of location of a single plant or housing development could make a large proportional difference.

The availability and interpretation of data concerning housing has become a matter of frustration at all levels of government. Most municipalities have no better base resource than the 1970 Census which is particularly undependable in those municipalities which grew substantially in the 1970s. Estimates of local population by age, households, by income, etc. are likely to be quite unreliable at the municipal level. A review of the housing element prepared for fiscal 1980 indicates that localities are having difficulty with the data requirements and are also bothered by inconsistencies between Federal requirements and the data to be used in preparing their plans for submission to the Metropolitan Council.

Evaluation of the effects of governmental programs, including housing programs, has been increasingly emphasized by the Congress, the Legislature and the public,all of which wish to know what benefits have resulted from the commitment of large public resources. Here data problems can become very significant. Unless the responsible units of government from the municipal level through to the County, Metro Council, State or Federal government have access to details of program operations such as:

- Location and type of aided units of housing,
- Income, household size of families assisted,
- Type of housing improvements made,

It is almost impossible to make objective comparisons of the comparative effectiveness of various programs and the relative effectiveness of the same programs in different localities. This kind of evaluation is equally the concern of municipal officials, the Metro Council and the County Commissioners as well as the responsible Federal and State Agencies. Such evaluation at present is extremely difficult, partly because of the way data are kept and partly because of the unwillingness or inability of one level of government to share information with others.

In the housing area, County Government is particularly helpless because although it has a general mandate for the welfare of residents of the County, almost all of the Housing Programs are administered at other governmental levels. It is appropriate, however, for County Planning and Development staff to initiate discussions of the problem with other levels of governments, and assist in setting up an intergovernmental task force on Housing Program Evaluation. The task force might well have the goal of determining appropriate measures of standards to apply in program evaluation and further to arrive at agreement as to the nature of data to be collected and the use to which it can be put. At a minimum the task force should include technically competent representatives from the County, Municipal, Metropolitan, State and Federal agencies responsible for housing activities. When Federal resources are involved, Federal agencies typically consider program evaluation their responsibility. It should be equally the concern of local and County government.

In the case of planning and programming as in other housing functions, most municipalities are too small to be able to assign staff time to them. Frequently, staff available is not knowledgeable in housing matters. The County therefore may find it incumbent upon itself to provide planning and programming assistance, so that the local interest can be adequately approved and presented at broader levels of government.

2. Initiative and Entrepreneurship

Virtually all governmental housing programs require a combination of initiative, creativity and entrepreneurship at the local level. Fortunately, these qualities have not been lacking in the Twin Cities Metropolitan region. In addition to Hennepin County initiatives, the Metropolitan Council, both Central Cities, some of the suburban municipalities and the Dakota County Housing and Redevelopment Authority all have contributed fresh thinking and imagination in tackling local housing issues. They have shown initiative in taking advantage of housing opportunities and utilizing Federal and State programs. The Housing Allocation system of the Metro Council was one of the earliest regional systems. Minneapolis, among other efforts, has pioneered the urban homesteading program. St. Paul is a national leader in developing a comprehensive residential energy conservation program. The Dakota County Authority has tried many new approaches and has added new thinking which has been recognized both locally and nationally. The Minnesota Housing Finance Agency has been appropriately heralded as one of the most creative State Agencies.

Not all the communities in Hennepin County have been fortunate in having readily available, staff or political leadership with the time, the talent and the inclination to try out housing programs, develop variations on old themes or invent new solutions fitted to the local scene. In these municipalities, those opportunities which do occur may be overlooked and their residents may miss out on the benefits of programs which residents of nearby communities enjoy.

Entrepreneurship and creativity are needed to make housing programs work and to create new solutions to the exceedingly tough housing problems. Competence and ability to administer regulations are not enough. Imagination, creativity and drive are needed. The housing function at any level of government needs to be vested with these characteristics.

3. Technical Assistance

Housing programs involve three major interrelated areas of technical knowledge:

a. Construction and rehabilitation technology

b. Housing finance

c. Government requirements and regulations

Individuals with skills in any of these areas are in demand both in private and governmental organizations. Any community which wishes to take advantage of varied offerings of the subsidized housing programs of the Federal and State governments must call upon all of these various kinds of competence. Clearly, a large and continuing program can better afford the talent of specialized staff, than can a smaller program.

St. Paul or Minneapolis, in launching programs of multi-family rehabilitation, for example, can afford to hire or assign a full-time staff member to the program who will become proficient in its detailed workings. A smaller city with only a few potential projects must depend upon the occasional attention of a staff person with more general responsibilities or share the competence of a specialist with others. Hennepin County has been developing a small staff of housing specialists in connection with its programming responsibilities and to assist municipalities and developers.

a. Construcion and Rehabilitation

Municipalities and public agencies building or sponsoring new housing construction and rehabilitation programs need to have objective, reliable and creative advice in the areas of design and technology. For much of this they depend on the private builder, his architects and engineers in the case of new construction or the rehabilitation contractor in the case of rehabilitation programs. However, they have a different responsibility from the private builder or contractor when public financing or public resources or powers are involved. Public money must be prudently spent and public power properly used to achieve a well designed development pleasing to the public and satisfying to its occupants. Community interests, must be effectively represented throughout the planning and development period. A developer protecting his profits and a municipality seeking residential amenities may often differ particularly in a time of escalating costs.

This situation may become more complex when the municipality also seeks to maximize energy conservation. In a time of rapidly changing technology, today's solutions may be obsolete tomorrow, and relatively untried systems and products may not always prove out.

Rehabilitation programs also have special technical problems. Every situation tends to be different and unforeseen conditions are normal. The agency or municipality is dealing with a great many different owners. Decisions as to the type and level of rehabilitation to encourage,frequently,are based on technical considerations.

All of this means that the municipality is best off which has reliable, competent advice available to it.

b. Housing Finance

With the possible exception of Federal and State rehabilitation grant programs, all public housing assistance programs involve some mixture of public and private financing. The government typically insures private mortgages, provides second mortgage financing and engages in more or less elaborate schemes of guaranteeing or underwriting private loans. Municipal bond programs usually reduce residential mortgage interest rates by transferring the tax exempt status of municipal bonds to the private financial institution, the property owner or both. If it is to act wisely and effectively in planning and administering the programs, a municipality must understand the ways of the financial world. It must know how to leverage its financial resources getting the most return on its dollar in terms of local objectives. This frequently is not an easy task for local planners and governmental officials who are used to dealing in a different currency.

c. Governmental Requirements and Regulations

Anyone wishing to make the most of governmental assistance for housing in his locality, must work his way through a thicket overgrown with requirements and regulations. Understanding the relative advantages, disadvantages and availability of the multitude of programs is a task which requires a firm understanding of local needs and potentials as well as a knowledge of program detail and administration.

In the words of the recent Metro Council publication, Programs to Provide Lower Cost Housing Opportunities:

> There exists today a myriad of Federal, State and regional programs that directly or indirectly provide housing assistance. Although they may differ in form of assistance, type of housing, sponsoring agency or eligibility requirements, all of them can help communities provide low- and moderate-income housing opportunities.

Expert knowledge of the programs, however, does not necessarily assure knowledge of the process by which a planned project can be brought into being. This involves a more or less complex local approval process which applies to any housing development complicated by various reviews and approvals required by the Federal or State Agencies and any intermediate government bodies such as the Metropolitan Council. A project which apparently meets all of the objectives of the program may be delayed or founder in the approval process. Unless the rewards are unusually high even an experienced developer may quail at the prospect. An inexperienced nonprofit agency or cooperative may be defeated before it starts.

All of these circumstances give rise to another kind of advisor, an expert in the requirements and the process, who finds it possible, if not easy, to work his way through the red tape. More and more, to be successful the local government finds it necessary to take the risks out of the process by providing the time and energy to work out the details. Manifestly,economies of scale are present. Once having learned the program, it is most uneconomic not to use the knowledge more than once. Small municipalities may find themselves carrying on or sponsoring one or only a very few projects under a single program. If they can make use of the expertise of others and at the same time maintain local control over the scale and direction of the results, they stand to benefit. As the County Office of Planning and Development has already demonstrated, a County Housing Services Office would be able to develop economies of scale. The experience gained in one community can then be applied in other parts of the County.

4. Housing Operations

Only four municipalities in Hennepin County actually own and manage housing. These include Hopkins, Minneapolis, Mound and St. Louis Park, with the vast majority of public housing units located in Minneapolis. Fifteen other municipalities have established Housing and Redevelopment Authorities; which gives them the legal ability to engage in the Federally aided public housing program. While in the recent past, the major emphasis of Federal assistance to low income families and elderly people has been on the Section 8 rent supplement program, the Congress has kept the public housing program alive. The President's budget for fiscal 1981, for example, provides for 42,000 new public housing units as compared with 258,000 units of Section 8 housing. In light of the failure of the Section 8 program to serve the lowest income families, and the high cost of the program (estimated at $3,576 per unit per year for two bedrooms existing Section 8 housing and $4,344 for new construction), there is some prospect that the public housing program may be further expanded in the future. It should not be overlooked by Hennepin County municipalities as a potential for meeting needs of very low income families and elderly people.

H. Organizing For Housing in the Eighties

The present and prospective housing functions of the Hennepin County government should be viewed in terms of the total housing picture. In addition to the County, the Federal government, the State, the Metropolitan Council and the 47 municipalities all perform housing functions. This complex governmental structure constantly interacts with an even more complicated private housing system made up of thousands of interrelated, though largely independent parts - builders, developers, real estate agents, financial institutions, etc. Since the early days of the New Deal, government has intervened in the private housing process. It has been particularly concerned with those groups of consumers which cannot compete successfully in the private housing market, largely but not entirely for economic reasons. It has acted to protect the consumer from physical hazard through establishing housing standards and controlling production practices. Because housing is a major industry dependent upon short and long term credit, the Federal government's attempts to control the economy have had very substantial effects on the production and distribution of housing.

The complicated structure of governmental housing involvement results in very uneven accessibility to housing assistance in different parts of the County, variable attitudes and housing competence among the municipalities and no well-defined focus for housing activities at the County level or in a majority of the municipalities.

Up to the present Hennepin County, as such, has played a limited, albeit important, role in housing. As a Federally designated urban county, its housing functions have accrued in response to Federal requirements for Community Development funding and in connection with a limited number of action programs, most importantly the State rehabilitation grant program administered by the Minnesota Housing Finance Agency. These functions have been assigned to the Development Planning Team of the Office of Planning and Development of the County Government. The Metropolitan Council too has limited its housing involvement. It has developed and administered a subsidized housing allocation scheme. It oversees the metropolitan-wide development framework and land planning systems which directly affect housing. The Metropolitan Housing and Redevelopment Authority administers the Section 8 Existing rental assistance program in participating communities including 23 Hennepin County municipalities. The Metro HRA also administers the State Housing Finance Agency rehabilitation grant program in some municipalities, including one or two in Hennepin County. In addition, the Metropolitan Council carries on housing research and informational activities.

The MHFA and HUD administer some programs directly or through private financial institutions (e.g., MHFA rehabilitation loan program, FHA and V.A. mortgage insurance). Usually the relationship on Federal and State assisted housing programs is directly between HUD or MHFA and the municipality, frequently through its Housing and Redevelopment Authority. Municipalities in Hennepin County vary greatly in their involvement in this process and their participation in housing programs. Bloomington, Hopkins and Minneapolis (non-urban county municipalities) and New Hope, Richfield, Robbinsdale and St.Louis Park are at one end of the spectrum with strong and varied housing programs. At the other are more that twenty smaller second and third tier suburban communities with little or no participation. In between are a substantial bloc of communities, mostly first tier suburbs where housing activity has been limited, sometimes to participation in a single program.

Within the Urban County, there is diversity not only in housing needs of communities, but in their capacities and efforts to meet housing needs. It follows that there will also be differences in the kinds of assistance needed by the community in order to meet those needs. Some communities have perceived a great housing need and, having resources available, have committed them to the provision of assistance. Other communities with small resources available, are unable to commit funds to housing even in the face of recognized need. In between, there are communities with high capacities and low capacities which have made some effort in housing.

In responding to housing need, the County should recognize the range and diversity of assistance required by the individual community.

In the following discussion we consider the possibility of a County Housing and Redevelopment Authority, and the option of one or more multi-municipal housing and redevelopment authorities. These approaches will require changes in the Minnesota Municipal Housing and Redevelopment legislation. In the meantime, we recommend that the County focus its housing activities in a County Housing Services Office and suggest the scope of its activities.

County Housing and Redevelopment Authority

The potential scope of County housing activities would be significantly enlarged if it were to create a County Housing and Redevelopment Authority. County Authorities already have been successfully undertaken in Scott and Dakota counties. A County Authority would have the ability to assemble land and develop housing and participate in both the Federal public housing and Section 8 programs which otherwise cannot be undertaken by the County.

In those communities in which the local HRAs have undertaken active housing programs, the authorities provide a central focus for publicly assisted housing programs and other housing concerns. While subject to policy controls of the City, Mayor and Council, or the County Commissioners, as the case may be, Housing and Redevelopment Authorities are separate "bodies corporate and politic" and have more flexibility than most government departments. Hennepin County cannot establish a Housing and Redevelopment Authority without changes in State Legislation. The 1974 amendments to the Municipal Housing and Redevelopment Act authorized the establishment of County Housing and Redevelopment Authorities, excepting, however, counties in the Twin Cities Metropolitan Area. Scott and Dakota County had previously established HRAs under special legislation and therefore were grandfathered in.

The Hennepin County should seek to amend the Housing and Redevelopment Act to allow the County Commissioners to bring a Housing and Redevelopment Authority into being to serve those municipalities which do not have HRAs and which may wish to use its services rather than establish a municipal authority. It could perform the functions described below in connection with the proposed Housing Services Office if the County Commissioners so desired.

The intermunicipal Housing and Redevelopment Authority is another option which should be available to local municipalities in Hennepin County. Under this option two or more municipalities could form a joint HRA with a single staff or with staff services contracted for with the County HRA or Housing Services Office. Currently this is not possible under State Legislation. The 1974 amendments to the Municipal Housing and Redevelopment Act apparently anticipated this need but while the language of the acts specifically mentions the creation of inter-county authorities it fails to mention inter-municipal authorities. This appears to have been an oversight in drafting the legislation. It should not be difficult to obtain support for a change which would clearly provide for joint municipal housing and redevelopment authorities.

County Housing Services Office

A County HRA cannot be created until the State Law is amended. There is however an immediate and continuing need for a central focus for housing concerns in the County Government in an office with a clear housing identity. There is an ongoing need for county-wide housing initiative and service both to municipalities, developers and the public. We recommend the establishment of a County Housing Services Office which would provide such a focus and perform these functions.

The only alternative would seem to be a much strengthened housing function at the Metropolitan level in an office prepared to take on detailed housing operations on a metropolitan-wide basis. As the Metropolitan Council has shown no inclination to move in the direction of operating housing programs, this alternative does not appear to be feasible. On the other hand, the large majority of the municipalities in the County are unlikely to develop the capacity to carry on varied housing programs individually.

The County Housing Services Office could develop naturally out of the current housing activities of the County's Development Planning Team, which has recognized the need for additional housing effort in administering the Urban County Development Block Grant Program. The staff has been sensitive to the varying housing needs of different communities and responsive to requests for assistance, although it has not had general policy guidelines or a housing mandate from the County Commissioners. The proposed Housing Services Office should be responsible for analysing housing needs and developing housing policies and programs for consideration by the County Commissioners. It should be recognized both within the County government and by the public as the County's housing office.

The Housing Services Office should be prepared to work in partnership with the municipal governments and HRAs, with the Metropolitan Council and with State and Federal agencies. This office would have the functions of:

1. Program exploration and initiation.

2. Program review and assessment.
3. Information, education and communication
4. Administering housing programs in those parts of the County which are not now otherwise served.

The County Housing Services Offices would not compete with or replace either municipal or metropolitan agencies but would rather assist and cooperate with them. Specifically it would carry on the following activities:

a. Take initiative to assure the benefits of housing programs to residents in all parts of the County.
b. Provide technical advice and information on housing to the public, municipal governments and housing authorities, and present and prospective developers. Provide a "hot line" housing assistance service.
c. Set up a housing program information clearing house with background on available programs and model programs offered elsewhere.
d. Provide assistance in matching developers for new assisted housing construction with appropriate communities which need such assistance.
e. Encourage and assist in developing new energy conserving forms of housing.
f. Together with municipalities develop residential energy conservation programs, retrofitting, and housing rehabilitation.
g. Increase the County's advocacy role in support of local communities in metropolitan, State and Federal Programs.
h. Explore and develop new housing resources both from public and private sources.
i. Monitor and evaluate housing programs and progress, studying, for example, the impact of subsidized housing on property values and neighborhoods.
j. Assist municipalities and community groups in developing educational and information programs about housing.
k. Explore possible forms of assistance for specialized types of housing, e.g., foster care homes, domestic violence shelters and residential treatment facilities.

APPENDIX A

Housing Programs Offered Outside the Urban County

1. Minneapolis

Housing Resource Program

The Minneapolis Housing and Redevelopment Authority (MHRA)'s Housing Resource Program contains four elements: rehabilitation loan and grant programs, new housing programs, homeownership programs and the Urban Homesteading Program. Through these programs, the MHRA can offer two options to the residential property owner whose property is in need of repair: a low interest loan or grant to finance rehabilitation of the property or an offer to purchase the property.

If the property is sold to MHRA, the Authority has three options: 1) it can demolish any existing improvements on the property and sell the vacant lot for redevelopment (the New Housing Program); 2) it can rehabilitate the structure and sell the property (the Home Ownership Program); or 3) it can lease the structure to a party who will rehabilitate it, granting title for the property after the rehabilitation work is completed.

The Housing Resources Program provides these opportunities on a City-wide basis. It is complementary to earlier Federal programs such as urban renewal which were targeted to specific neighborhoods. Federally funded neighborhood conservation and urban renewal projects continue to be financed through existing urban renewal budgets, Federal Community Development Block Grant Funds, or Section 312 funds. The City-wide Housing Resource Program is locally financed, using local, State and Federal funds.

Local Rehabilitation Loan Program

This program is financed by sale of tax-exempt bonds. It offers home improvement loans at a rate of 4, 6, or 8 percent depending upon the applicant's income. Owner-occupants of single-family, two-family or three-family structures whose adjusted annual income does not exceed $19,250 are eligible. There is no maximum loan amount. The size of the loan is limited by the equity of the property.

Multiple-family structures of up to 20 units may also be rehabilitated under this program. (A structure with more than 20 units may be approved for a loan with a specific action of the HRA.) All available funds for multi-family structure rehabilitation have been committed and there is an extensive waiting list.

Local Rehabilitation Grant Program

The Local Rehabilitation Grant Program is financed with Community Development Block Grant funds. Grants are available to eligible owner-occupants of single-, two-, or three-family dwellings whose annual adjusted incomes do not exceed $5,000, and whose unadjusted incomes do not exceed $19,250. The maximum grant for a single-family structure is $12,000, for a two-family structure, $13,500, and a three-family structure, $15,000. The grant is 100 percent repayable upon the sale of the property at any time.

New Housing Program

This program is financed by a combination of funds from the City of Minneapolis, General Revenue Sharing funds, Community Development Block Grant funds, and the Minnesota Department of Transportation. Under the New Housing Program, properties offered to MHRA for sale are bought, cleared, and the vacant lots sold for new construction. (In some cases, the lots have been sold to neighboring property owners for sideyards.) The average cost write-down of the lots as of December 31, 1978 was about $5,000. The average sales price per home was $48,000.

Home Ownership Program (HOP) I,II,III, and IV

Under the Home Ownership Program, below market interest rate mortgages are made available for newly constructed single-family houses, multiple-family buildings, existing single-family homes, duplexes and mulitiple-family structures purchased for rehabilitation purposes. Local non-profit groups have cooperated with MHRA in rehabilitating the structures and offering them for resale to qualifies residents after rehabilitation is completed.

The four year program has differed in its emphasis from year to year. HOP I was for newly constructed homes on lots purchased from MHRA. HOP II included newly constructed and rehabilitated single-family homes. HOP III included one and two-family owner-occupied existing units. HOP IV was an Apartment Homeownership Program and emphasized converting apartment buildings for home ownership (condominium conversion).

The program has been financed by the sale of tax-exempt bonds.

Urban Homesteading Program

Minneapolis was selected in 1975 to participate in the HUD Urban Homesteading demonstration project funded under Section 810. Under this program, qualified low and moderate income residents who are willing to rehabilitate substandard properties are offered the opportunity to purchase the property for $1. Applicants apply for low interest financing from MHRA at the same time. Program participants are chosen by lottery. The participants lease the house during renovation, and upon completion of rehabilitation work, are granted title to the property.

Section 312 Low Interest Loan Program

This program is not offered City-wide. It is operated in conjunction with the Community Development Block Grant Program. As a result of planning for community development required by the Federal program, Neighborhood Strategy Areas (NSAs) are designated. Within the NSAs, rehabilitation and renovation funds are concentrated in order to carry out comprehensive city strategy for neighborhood revitalization.

Section 312 three percent interest rate loans are made available to NSA owner-occupants of single and multi-family structures for rehabilitation, renovation and refinancing. There has been an extensive waiting list for this program since its inception.

Public Housing

MHRA owns and manages 6,833 units of public housing. Of this total, 5,306 units are in elderly high rise projects, 912 units are in family projects, and 615 units are scattered site units for families.

$1,814,500 in HUD Modernization Funds have been spent since 1975 in making phusical improvements to family and elderly projects. An additional $59,000 in HUD funds was spent in 1978 to improve scattered site units. In addition, other Federal programs have financed such special improvements for public housing projects as playground development, highrise building security guards, and services such as community organization and training, child care services, and safety and security programs.

2. St. Paul

In addition to participating in the Federal and State programs available, the City of St. Paul through the Housing and Redevelopment Authority and the Public Housing Agency has developed and operates the programs which are summarized below. There are also neighborhood and community groups which provide additional housing services to neighborhood residents. The Lexington-Hamline Community Council's pooled contracting program is an example of such a service. The Council sends questionnaires annually to residents regarding improvements for which they would like to contract, and interested residents participating in the program eventually enter into a single contract for a particular type of improvement such as electrical work, at an overall estimated cost savings of approximately 20 percent. Another example is the Merriam Park Neighborhood Housing Services Program which provides a structure for bringing together the City, the private financial community and the neighborhood residents in an effort to improve and revitalize the neighborhood. It features a fulltime neighborhood staff and a flexible revolving home improvement loan fund. These individual community and neighborhood efforts are often innovative attempts to meet neighborhood housing needs.

Low Interest Home Improvement Loans

Low interest home improvement loans are available to single and multiple-family (structures containing two to six units) property owners with adjusted annual incomes of $16,000 or less. The loan interest rate is based upon the adjusted annual income and ranges from one percent to eight percent. For a single-family home, the maximum loan is $15,000 with a maximum term of 15 years. The maximum loan for a multi-family structure is $5,000 per unit (up to $25,000) with a twelve year maximum term. The structure must be at least fifteen years old. Eligible improvements include basic and necessary repairs to make the unit more livable, more energy efficient or accessible to a handicapped resident.

Below Market Multi-family Rental Rehabilitation Program

This program is financed by the issuance and sale of tax-exempt revenue mortgages and is administered through local lending institutions. Its purpose is to increase and preserve the availability of decent, safe and sanitary rental housing within the City. The loans are available for rehabilitating units, bringing units into compliance with safety codes and for providing mortgage credit to owners and providers of housing units who would otherwise be unable to afford mortgage credit under private market conditions or be unable to obtain mortgage credit because of a severely limited market.

The program can be used to rehabilitate any existing rental structure containing four or more units, to construct new rental units, or to convert existing nonresidential structures to rental units. Interest rates are dependent upon the rate at which the mortgages are sold and are negotiated with the individual lender. There is no maximum loan. The amount is limited by the project feasibility and lending limitations.

Program restrictions include a five year rental restriction (rent levels are set for each project based upon such factors as debt service on loans, estimated annual operating costs and a reasonable return on capital) and a condominium conversion restriction.

Public Housing

In recognizing that public housing is an integral part of the City's housing supply, St. Paul has participated in the Federal programs for reinvestment in public housing. In keeping with the current Federal objective to broaden the income range of residents in public housing developments and to provide ownership opportunities for families dependent upon public housing resources, plans are underway to convert a few of the units in one development for ownership.

The St. Paul Public Housing Agency owns and manages 16 high rise buildings for the elderly, forty low rise and townhouse developments for families, and 36 scattered site family units. Currently, 67 additional scattered site large family units are being acquired. There is a total of 4,095 public housing units, including 1,448 family units and 2,647 elderly units.

Identified Treatment Area Program

This program grew out of the concentrated redevelopment efforts made under the old urban renewal Neighborhood Development Program and recent efforts to put the City's own rehabilitation resources to effective use. Twenty-eight Identified Treatment Areas have been designated. The ITAs are neighborhood areas with rehabilitative or more extensive redevelopment needs. The intent of the program is to concentrate rehabilitation resources in those areas with need until the needed improvements have been made. The original 22 ITAs are considered completed, although with varying degrees of success. The six new ITAs are larger than the original ones and programs developed for them are through the community development program.

The following programs are available to ITA residents:

Home Improvement Grants

Owner-occupants of dwellings in an ITA may receive a grant of up to $5,000 for health, safety and energy efficiency improvements. Grants of up to $7,500 are available for improvements increasing the accessibility of a home to a handicapped resident. Applicants' adjusted annual income must not exceed $5,000 and assets must not exceed $25,000. A fixed portion of the grant must be repaid if the property is sold or transferred within six years.

Section 312 Three Percent Loans

In St. Paul, the established ITAs are equivalent to the Neighborhood Strategy Areas called for by the program. ITA homeowners may borrow up to $27,000 for improvements to a single-family dwelling and up to $108,000 for improvements to dwellings containing four units under this program. All code violations must be corrected before general improvements are made. The loans are available at an interest rate of three percent. The maximum loan term is 20 years. There are no income limitations for ITA residents in the (312) program.

Exterior Improvement Grants

This program offers a maximum exterior improvement grant of $1,500 to ITA owner-occupants who have rehabilitated their dwellings since June 1978 or who are currently rehabilitating them. Otherwise qualified

ITA owner-occupants who have not made improvements to their dwellings since that time, but whose dwellings are free of health and safety hazards are eligible for a maximum grant of $500. A fixed portion of the grant must be repaid if the property is sold or transferred within six years.

The grant is intended for exterior improvements which will enhance the appearance of the neighborhood such as painting or new siding.

3. Dakota County, Minnesota

Integrated Development - CD Funds

Program provides for land acquisition and sewer and water installation - cost write-down of sites for new construction - so that low density scattered site housing for families can be made available. Program also covers the cost of relocating families living in substandard dwellings on any of th properties acquired. These funds are used in conjunction with other housing programs.

East Hastings Neighborhood Improvement Program - CD Funds

Program is estimated to serve 56 eligible homeowners with rehab loans and grants for energy-related items, code deficiencies and overall upgrading of property.

Innovation Home Ownership Program - CD Funds

Funds are used to acquire and rehab two substandard properties for resale to eligible purchasers at a reduced purchase price and lower interest rates commensurate with family income.

Funds will also be used to acquire and rehab one substandard property to be offered to an otherwise eligible purchaser who does not have the required downpayment on a rent-with-option-to-buy plan. Rent payments in excess of operating expenses are placed in an interest-bearing equity account. Once the account holds sufficient funds, the family will be offered the property for purchase under the same terms offered the other families.

Program revenues resulting from the sale of each property will be funnelled back into the program, and used to acquire and rehab additional substandard properties for the same purpose.

4. Fairfax County, Virginia

Population is 582,600. There is a Fairfax County Redevelopment and Housing Authority (RHA) and a Department of Housing and Community Development (HCD) which share responsibility for housing.

Capital Fund

This program is used to subsidize capital costs involved in developing low and moderate income housing. It is used to offset the costs of sewer and water tap fees, on-site and off-site infrastructure costs and land write-down costs.

Revolving Fund

This program is used to cover the initial development expenses and purchase of property. Upon completion of a development, advanced monies are returned to the fund.

Proffer

Property is acquired at a reduced cost from developers proffering it under a provision of the zoning ordinance. This is designed to offer density credit incentives to developers in order to increase home ownership and rental housing opportunities for moderate income persons.

Moderate Income Direct Sales

This is a tool for implementing dwelling unit proffers. The RHA secures permanent loans on behalf of purchasers. Infrastructure funds are used to make up the difference between the loan and the unit cost. HCD markets the units to eligible buyers.

Public Housing

Public housing is selected by RHA in accordance with the Housing Assistance Plan developed by HCD.

5. Cuyahoga County, Ohio

Population: 1.6 million. There is a Cuyahoga Department of Community Development, and a substate agency, the Regional Planning Commission which share housing responsibility.

Housing Rehabilitation (Section 312 and C.D.)

No interest, deferred loans and three percent 20 year term loans are offered to eligible property owners in communities within the multi-jurisdictional code enforcement areas that have adopted a housing assistance code. The Department of Community Development will implement the local housing code in communities requesting assistance, and offer assistance in the form of loans and technical expertise to eligible property owners in violation of the code.

Weatherization and Insulation

Operated in cooperation with the Department of Energy and the local agency.

Section 8 Existing Outreach Program

Identifies and locates both potential eligible tenants and cooperating landlords/apartment managers.

Site Suitability Analysis

Computer model used to identify and tabulate available land which is suitably zoned and which meets the Federal criteria for assisted housing new construction.

6. King County, Washington

County population is 1,143,000. The Housing and Community Development Program and the Housing Authority of the County of King share responsibility for housing.

Family Housing Opportunity Program - CD Funds

A cost write-down program for new construction of family rental housing. It includes preselected site acquisition, development cost write-downs, development cost loans (loans for land acquisition), negotiated income - mixing large developments.

Urban Self-Help Housing Program - CD Funds

The program provides assistance to eligible families to build their homes. The self-builder usually gains a sweat-equity down-payment equal to 20-30% of the value of the completed home.

Typically, the program would enable 24 families to build a 1000-1200 sq. ft. home in six months to a year.

Condominium Purchase Program - CD Funds

Under this program, condominium units dispersed over several developments are purchased to rent to lower income families. This will mitigate displacement of low-income families when condo-conversion takes place, provide low and moderate-income housing opportunities in higher-income areas, and avoid concentration of low-income families in specific projects.

Airport Relocation Pilot Program

This program relocates houses from the Port of Seattle Airport clear zone onto sites purchased elsewhere in the County, renovate them, and give purchase priority to families with incomes under 80% of the median income for the county. Community Development funds are used for program administration costs. A grant from King County is used for land cost write-downs. Financing for purchase and renovation of the properties will be provided to participating families primarily through Section 235 , with Section 312 rehab funds being used.

Regional Family Housing Opportunity Program

Program's purpose is to provide research, technical assistance, property appraisals, administration and evaluation for a four-county area in order to implement a coordinated region-wide land bank program for assisted housing.

APPENDIX B

APPLICATION OF FRAMEWORK
FOR
FUNCTIONAL ANALYSIS

Program: Sec. 8 New, Mod.,
Subst. Rehab/Sec.202
Admin. by: HUD,MHFA

WORKSHEET FOR FUNCTIONAL ANALYSIS

1. Economic

a) Benefit Area

1) Is the governmental jurisdiction large enough to enable benefits from the service to be consumed primarily within the jurisdiction?

Yes. Application is made through either the HUD Area Office or MHFA, both of which have state jurisdiction for these programs.

2) Is the consumption confined to individuals?

Yes. Direct consumption of the dwelling units is confined to individual low income families and elderly. Indirect benefits are provided to the community with the increase in the number of units and the provision of alternative housing to old people which may free up existing units for families.

3) Is the consumption broadly distributed throughout the community?

No. Consumption is limited to eligible elderly and low income families.

b) Start-Up Costs

1) Does it require skilled personnel?

Yes. It requires housing specialists in development, financing and rehab.

2) Are there facilities available to house the function?

Yes. Both agencies provide office space for specialists working with this program.

c) Economies of Scale

1) Do costs of output per unit decrease with increased output, i.e., are there economies of scale?

Yes. Costs will decrease with a large project since the process is essentially the same for a large or small project. Also costs will decrease with an increase in the number of units processed, since one specialist can process many units.

2) Are there any diseconomies of scale?

No.

2. Political

a) Does the unit of government have a geographic jurisdiction adequate for effective performance?

Yes. Both agencies have statewide jurisdictions for these programs.

b) Does the unit of government have the legal, administrative and financial ability to perform the services assigned?

Yes. HUD is provided legal and administrative powers by law and congressional appropriations support the programs. MHFA is given the legal and administrative authority necessary to carry on its role in these programs by the state.

c) Is the unit of government responsible for a sufficient number of functions so that:

1) Its governing processes involve a resolution of conflicting interests?

Yes. Both the federal and state governmental processes involve resolving conflicting interests. Both agencies are responsible to their respective governments.

2) It must balance needs and resources and be responsible for resource utilization?

Yes. State and federal governments have responsibilities for balancing needs and resources and are responible for resource utilization. To this end, the programs are reviewed and re-funded periodically.

d) In its performance of functions, is the unit of government controllable by and accessible to its residents?

Yes. Both units are controllable by and accessible to their residents through the political process. As the unit closer to the resident, the state is perhaps more responsive.

e) Does the unit of government maximize conditions and opportunity for citizen participation and perform the function adequately?

No. Citizen participation is possible through the democratic process, but it is not maximized as it could be by providing a local citizen participation process.

Program: Section 8 Existing

Admin. by: Metro Council HRA

WORKSHEET FOR FUNCTIONAL ANALYSIS

1. Economic

a) Benefit Area

1) Is the governmental jurisdiction large enough to enable benefits from the service to be consumed primarily within the jurisdiction?

Yes. Benefits from the program are consumed within the jurisdiction. No certificates are issued to residents outside of the metro area or are issued for units located outside of the metro area.

2) Is the consumption confined to individuals?

Yes. Direct consumption is confined to individual low income families.

3) Is the consumption broadly distributed throughout the community?

No. Consumption is limited to low income families who qualify for the program and who find an eligible unit.

b) Start-Up Costs

1) Does it require skilled personnel?

Yes. It requires personnel trained in housing inspection and in administration of the program.

2) Are there facilities available to house the function?

Yes. Metro Council houses the office portion of the program. Client contact is made in the facilities of the individual communities and municipal inspectors are used.

c) Economies of Scale

1) Do costs of output per unit decrease with increased output, i.e., are there economies of scale?

Yes. Once a rental assistance specialist is hired, costs or output per unit (or costs per family served) decrease with increased output, until a second specialist must be hired to accommodate the marginal increase of families to be served.

2) Are there any diseconomies of scale?

No.

2. Political

a) Does the unit of government have a geographic jurisdiction adequate for effective performance?

Yes. The Seven-County area is a large enough area for adequate performance.

b) Does the unit of government have the legal, administrative and financial ability to perform the services assigned?

Yes. The legal, administrative and financial powers granted to the Metro Council †by the state (in particular, the power to establish a Metro Housing and Redevelopment Authority) enable it to perform this function.

c) Is the unit of government responsible for a sufficient number of functions so that:

1) Its governing processes involve a resolution of conflicting interests?

Yes. Resolving conflicting interests os a major responsibility of the Metro Council.

2) It must balance needs and resources and be responsible for resource utilization?

Yes. It must balance needs and resources and is responsible to the Legislature for resource utilization.

d) In its performance of functions, is the unit of government controllable by and accessible to its residents?

No. It is accessible to but not controllable by its residents since the the Council members are appointed, not elected.

e) Does the unit of government maximize conditions and opportunity for citizen participation and perform the function adequately?

No. Opportunity for citizen participation is provided through public hearings and committee memberships, but conditions are not maximized.

Program: Section 235

Admin. by: HUD

WORKSHEET FOR FUNCTIONAL ANALYSIS

1. Economic

   a) Benefit Area

      1) Is the governmental jurisdiction large enough to enable benefits from the service to be consumed primarily within the jurisdiction?

         Yes. The HUD Area Office has a statewide jurisdiction. The program is available nation-wide.

      2) Is the consumption confined to individuals?

         Yes. Direct consumption is confined to individual families who meet the eligibility requirements.

      3) Is the consumption broadly distributed throughout the community?

         No. Only Consumption is limited to eligible lower income families.

   b) Start-Up Costs

      1) Does it require skilled personnel?
         Yes. It requires personnel capable of reviewing and selecting developers' proposals, and of program administration.

      2) Are there facilities available to house the function?

         Yes. Only the developer contact and review/approval portion of the program are housed by the Area Office.

   c) Economies of Scale

      1) Do costs of output per unit decrease with increased output, i.e., are there economies of scale?

         Yes. Economies of scale exist to the extent that with staff with expertise in the program available, costs per unit will decrease as the number of units processed through the program increases.

      2) Are there any diseconomies of scale?

         No.

Program: Weatherization

Admin. by: Natural Resources Corporation

WORKSHEET FOR FUNCTIONAL ANALYSIS

1. Economic

a) Benefit Area

1) Is the governmental jurisdiction large enough to enable benefits from the service to be consumed primarily within the jurisdiction?

Yes. Weatherization is a federal program operated with assistance from the state through Community Action Agencies. (The Natural Resources Corporation is a private nonprofit organization which operates the program in suburban Hennepin County.)

2) Is the consumption confined to individuals?

Yes. Direct consumption is confined to eligible low income homeowners and renters.

3) Is the consumption broadly distributed throughout the community?

No. It is limited to low income renters and homeowners with the further stipulation that 25% of the recipients be elderly, 10% be renters and 10% be handicapped.

b) Start-Up Costs

1) Does it require skilled personnel?

Yes. It requires rehab specialists and people trained in improving energy efficiency. In addition, since it is dependent upon CETA or volunteer labor, a labor coordinator is needed.

2) Are there facilities available to house the function?

Yes. The Natural Resources Corporation houses the function.

c) Economies of Scale

1) Do costs of output per unit decrease with increased output, i.e., are there economies of scale?

Yes. Trained staff can handle many applications, so costs per unit decrease with increased output.

2) Are there any diseconomies of scale?

Yes. If there is trouble with getting labor to weatherize additional units, there could be diseconomies of scale.

2. Political

a) Does the unit of government have a geographic jurisdiction adequate for effective performance?

Yes. The Area has Statewide jurisdiction over HUD programs.

b) Does the unit of government have the legal, administrative and financial ability to perform the services assigned?

Yes. The legal and administrative powers assigned by law,and congressional appropriations supporting the program provide the agency with the ability to perform the service.

c) Is the unit of government responsible for a sufficient number of functions so that:

1) Its governing processes involve a resolution of conflicting interests?

Yes. HUD is an administrative agency of the federal government which has the responsibility of resolving conflicting interests.

2) It must balance needs and resources and be responsible for resource utilization?

Yes. As as arm of the federal government (which is itself responsible for resource utilization), HUD is responsible to Congress for proper utilization of resources. The program itself is an attempt by the federal government to meet a recognized need in housing with federal resources.

d) In its performance of functions, is the unit of government controllable by and accessible to its residents?

Yes. The federal government is accessible to and controllable by its residents through the democratic process.

e) Does the unit of government maximize conditions and opportunity for citizen participation and perform the function adequately?

No. Although citizen participaton in federal activity is always possible through the democratic and adversarial hearing process, this is not an easy way for the average citizen to impact the decisions to be made regarding a specific program.

2. Political

a) Does the unit of government have a geographic jurisdiction adequate for effective performance?

Yes. It is a federal program operated throughout the state, and for suburban Hennepin County, by the Natural Resources Corporation.

b) Does the unit of government have the legal, administrative and financial ability to perform the services assigned?

Yes. The Natural Resources Corporation is assigned the legal and administrative capacity by the government and is supported by CETA and other state and federal appropriations.

c) Is the unit of government responsible for a sufficient number of functions so that:

1) Its governing processes involve a resolution of conflicting interests?

No. Natural Resources Corporation is a private nonprofit corporation, not a general purpose government.

2) It must balance needs and resources and be responsible for resource utilization?

No. It is not a general purpose government. Its responsibility is to perform those tasks assigned to it by the government with the resources allocated.

d) In its performance of functions, is the unit of government controllable by and accessible to its residents?

No. While the state and federal governments supporting the program are accessible to and controllable by residents, as a private nonprofit organization, the Natural Resources Corporation is not responsible to a contituency.

e) Does the unit of government maximize conditions and opportunity for citizen participation and perform the function adequately?

No. Conditions for citizen participation are not maximized.

Program: MHFA Home Improv. Grant

Admin. by: MHFA, HN County, communities

WORKSHEET FOR FUNCTIONAL ANALYSIS

1. Economic

a) Benefit Area

1) Is the governmental jurisdiction large enough to enable benefits from the service to be consumed primarily within the jurisdiction?

Yes. MHFA offers the program throughout the state. Within each community, direct benefits are consumed primarily by the grantee.

2) Is the consumption confined to individuals?

Yes. Direct consumption is limited to eligible low income homeowners.

3) Is the consumption broadly distributed throughout the community?

No. The income limits are low and the program applies only to homeowners.

b) Start-Up Costs

1) Does it require skilled personnel?

Yes. It requires administrative personnel at the state level, rehab specialists at the local and county level, and inspection staff.

2) Are there facilities available to house the function?

Yes. Most personnel working on the program are at the municipal or county level and are housed at those governmental offices. Administrative personnel are housed at MHFA.

c) Economies of Scale

1) Do costs of output per unit decrease with increased output, i.e., are there economies of scale?

Yes. Since one trained specialist can process many applications, costs per unit decrease with increase of output.

2) Are there any diseconomies of scale?

No.

2. Political

a) Does the unit of government have a geographic jurisdiction adequate for effective performance?

Yes. The program is statewide. However, some small communities with small entitlements attempting to operate the program within their communities may not have a large enough geographic jurisdiction for effective performance.

b) Does the unit of government have the legal, administrative and financial ability to perform the services assigned?

Yes. Ability to perform the service is granted by the state to MHFA, which determines the eligibility criteria for what may constitute an "administering entity".

c) Is the unit of government responsible for a sufficient number of functions so that:

1) Its governing processes involve a resolution of conflicting interests?

Yes. All levels of government involved in the program are general purpose governments.

2) It must balance needs and resources and be responsible for resource utilization?

Yes. All levels of government participating in the program are general purpose governments and as such are responsible for resource utilization and the balancing of needs and resources.

d) In its performance of functions, is the unit of government controllable by and accessible to its residents?

Yes. All levels are accessible to and controllable by their residents. The local level is most visible, accessible and accountable.

e) Does the unit of government maximize conditions and opportunity for citizen participation and perform the function adequately?

Yes. Citizen participation is available through all three levels, but is best maximized at the local level.

Program: MHFA Home Improv. Loan
Admin. by: MHFA, Banks

WORKSHEET FOR FUNCTIONAL ANALYSIS

1. Economic

a) Benefit Area

1) Is the governmental jurisdiction large enough to enable benefits from the service to be consumed primarily within the jurisdiction?

Yes. MHFA operates the program throughout the state.

2) Is the consumption confined to individuals?

Yes. Direct consumption is confined to eligible homeowners.

3) Is the consumption broadly distributed throughout the community?

No. Although income limits are higher than in many programs, consumption is still limited to low and moderate income homeowners.

b) Start-Up Costs

1) Does it require skilled personnel?

Yes. It requires administrative personnel and loan specialists although most of the application process is handles through the particdipating financial institutuions.

2) Are there facilities available to house the function?

Yes, MHFA houses the administrative staff. The financial institutions use their own personnel.

c) Economies of Scale

1) Do costs of output per unit decrease with increased output, i.e., are there economies of scale?

Yes. In the sense that one loan specialist can process many loans, there are economies ofscale.

2) Are there any diseconomies of scale?

No.

2. Political

a) Does the unit of government have a geographic jurisdiction adequate for effective performance?

Yes. MHFA has statewide jurisdiction.

b) Does the unit of government have the legal, administrative and financial ability to perform the services assigned?

Yes. Legal and administrative powers and the ability to sell bonds are granted by the state legislature.

c) Is the unit of government responsible for a sufficient number of functions so that:

1) Its governing processes involve a resolution of conflicting interests?

Yes. The state governmental processes involve the resolution of conflicting interests.

2) It must balance needs and resources and be responsible for resource utilization?

Yes. Creation of the MHFA with bonding powers was a state attempt to balance housing need with scarce state resources.

d) In its performance of functions, is the unit of government controllable by and accessible to its residents?

The state legislature is accessible to and controllable by state residents.

e) Does the unit of government maximize conditions and opportunity for citizen participation and perform the function adequately?

No. Participation is possible through the democratic process and the agency hearing process, but this is not a maximization of opportunity for participation.

Program: MHFA Affordable Home

Admin. by: MHFA, Financial institutions

WORKSHEET FOR FUNCTIONAL ANALYSIS

1. Economic

a) Benefit Area

1) Is the governmental jurisdiction large enough to enable benefits from the service to be consumed primarily within the jurisdiction?

Yes. MHFA offers the program throughout the state. Direct benefits are consumed primarily by the home buyer.

2) Is the consumption confined to individuals?

Yes. Direct consumption is limited to low and moderate income persons who meet the program requirements.

3) Is the consumption broadly distributed throughout the community?

No. Consumption is limited both by the income requirement and the availability of funds.

b) Start-Up Costs

1) Does it require skilled personnel?

Yes. It requires administrative personnel as well as loan specialists.

2) Are there facilities available to house the function?

Yes. The administrative portion of the program is housed by MHFA and staff required for the financial institutions' responsibility in the program are housed by the institutions.

c) Economies of Scale

1) Do costs of output per unit decrease with increased output, i.e., are there economies of scale?

Yes. Costs per unit decrease with increase of output, since one trained specialist can process many applications.

2) Are there any diseconomies of scale?

No.

2. Political

a) Does the unit of government have a geographic jurisdiction adequate for effective performance?

Yes. The program is offered statewide.

b) Does the unit of government have the legal, administrative and financial ability to perform the services assigned?

Yes. MHFA is empowered by the state legislature to operate housing programs throughout the state. The authority to sell bonds is also granted by the legislature.

c) Is the unit of government responsible for a sufficient number of functions so that:

1) Its governing processes involve a resolution of conflicting interests?

Yes. MHFA is an agency of the state, which is responsible for resolving conflicting interests.

2) It must balance needs and resources and be responsible for resource utilization?

Yes. The agency is responsible to the legislature for resource utilization, balancing resources against needs. The state itself is also responsible to its constituents for resource utilization.

d) In its performance of functions, is the unit of government controllable by and accessible to its residents?

Yes. State residents have the opportunity to impact the decision-making process through the state's elected representative system.

e) Does the unit of government maximize conditions and opportunity for citizen participation and perform the function adequately?

No. Although citizen participation is possible through the democratic process and the agency hearing process, this does not represent a maximization of opportunity and conditions for involvment.

Program: Local Rehab (CD)

Admin. by Local communities, Hennepin County

WORKSHEET FOR FUNCTIONAL ANALYSIS

1. Economic

a) Benefit Area

1) Is the governmental jurisdiction large enough to enable benefits from the service to be consumed primarily within the jurisdiction?

Yes. Direct benefits are consumed primarily by the grantee, and spillover benefits such as neighborhood improvement and conservation of housing stock are consumed primarily within the county.

2) Is the consumption confined to individuals?

Yes. Direct consumption is confined to eligible low income homeowners.

3) Is the consumption broadly distributed throughout the community?

No. The income limits and the home ownership reqirement limit the distribution of consumption.

b) Start-Up Costs

1) Does it require skilled personnel?

Yes. The program requires inspection staff and program administrators knowledgable in rehabilitation.

2) Are there facilities available to house the function?

Yes. Communities operating their own programs house their own staff. Staff for communities which opt to have the County administer the program are provided through the Development Planning Unit and are housed by the COunty.

c) Economies of Scale

1) Do costs of output per unit decrease with increased output, i.e., are there economies of scale?

Yes. One rehab specialist trained in the program can process many applications.

2) Are there any diseconomies of scale?

No.

2. Political

a) Does the unit of government have a geographic jurisdiction adequate for effective performance?

Yes. In cases where the community itself is too small for effective performance, the program can be operated by the County, which also monitors the program for all communities.

b) Does the unit of government have the legal, administrative and financial ability to perform the services assigned?

Yes. Both the County and the municipalities have the legal ability to operate the program. The County operates the program in communities without the administrative ability to do so itself. Since the program is funded by a federal grant, the financial ability is provided by the federal government.

c) Is the unit of government responsible for a sufficient number of functions so that:

1) Its governing processes involve a resolution of conflicting interests?

Yes. Both the County and the municipalities are general purpose governments.

2) It must balance needs and resources and be responsible for resource utilization?

Yes. General purpose governments are responsible to their constituents for the utilization of resources, balancing resources against needs.

d) In its performance of functions, is the unit of government controllable by and accessible to its residents?

Yes. Both units of government have elected governing bodies visible to the public and controllable by residents through the democratic process.

e) Does the unit of government maximize conditions and opportunity for citizen participation and perform the function adequately?

Yes. The County oversees the citizen participation process for Community Development Block Grant activities, of which the program is a part. Citizen participation is also possible through the democratic process on both the local and the County level.

Program: Public Housing

Admin. by: Local communities
HRAs

WORKSHEET FOR FUNCTIONAL ANALYSIS

1. Economic

a) Benefit Area

1) Is the governmental jurisdiction large enough to enable benefits from the service to be consumed primarily within the jurisdiction?

Yes. Direct benefits are consumed primarily by the program participants living within the community.

2) Is the consumption confined to individuals?

Yes. Direct consumption is confined to individuals participating in the program.

3) Is the consumption broadly distributed throughout the community?

No. Consumption is limited to qualified low income persons or families who rent the units.

b) Start-Up Costs

1) Does it require skilled personnel?

Yes. It requires administrative staff as well as apartment managers.

2) Are there facilities available to house the function?

Yes. The staff is housed by the HRA.

c) Economies of Scale

1) Do costs of output per unit decrease with increased output, i.e., are there economies of scale?

Yes. Trained personnel can process many applications. Management staff can oversee many units.

2) Are there any diseconomies of scale?

No.

2. Political

a) Does the unit of government have a geographic jurisdiction adequate for effective performance?

Yes. The local communities which currently participate in the program have adequate jursidictions.

b) Does the unit of government have the legal, administrative and financial ability to perform the services assigned?

Yes. The program reqires administration by an HRA or PHA which are established and funded by the local government under state enabling legislation.

c) Is the unit of government responsible for a sufficient number of functions so that:

1) Its governing processes involve a resolution of conflicting interests?

Yes. The local government to which the HRA is responsible is a general purpose government.

2) It must balance needs and resources and be responsible for resource utilization?

Yes. The HRA must balance its resources to meet housing needs of the community. The local government is responsible to its constituents for overall balancing of resources to needs , and resource utilization.

d) In its performance of functions, is the unit of government controllable by and accessible to its residents?

Yes. The HRAs are accessible to residents through their hearing processes as well as through individual commissioners and are controllable through the democratic process as is the local government.

e) Does the unit of government maximize conditions and opportunity for citizen participation and perform the function adequately?

Yes. The local government and its HRA are both visible and accountable to the citizens. Participation opportunities are available through the democratic and the hearing process.

Program: Technical Assistance
Admin. by: Hennepin County

WORKSHEET FOR FUNCTIONAL ANALYSIS

1. Economic

a) Benefit Area

1) Is the governmental jurisdiction large enough to enable benefits from the service to be consumed primarily within the jurisdiction?

Yes. Direct benfits would accrue primarily to individuals participating in programs made available through the service, and spillover benefits such as improved performance in assisted housing would be consumed primarily within the County.

2) Is the consumption confined to individuals?

No. Although direct benefits would accrue to individuals participating in programs made available through this service, spillover benefits such as improved performance in assisted housing, greater housing opportunity for low and moderate income families, and improvement of the housing stock, would accrue to all County residents.

3) Is the consumption broadly distributed throughout the community?

Yes. The spillover benefits described above would accrue to all County residents.

b) Start-Up Costs

1) Does it require skilled personnel?

Yes. It requires creative and innovative personnel trained and knowledgable in all aspects of housing from rehabilitation to financing.

2) Are there facilities available to house the function?

No. Although the current staff working with housing are officed in the Development Planning Unit, expansion of the County's role in housing would require both a staff and office expansion.

c) Economies of Scale

1) Do costs of output per unit decrease with increased output, i.e., are there economies of scale?

Yes. One housing specialist would be able to process many applications. Also, the County Housing Services Office would be able to serve all County communities.

2) Are there any diseconomies of scale?

No.

2. Political

a) Does the unit of government have a geographic jurisdiction adequate for effective performance?

Yes. The geographic jurisdiction of Hennepin County is adequate for effective performance of housing functions.

b) Does the unit of government have the legal, administrative and financial ability to perform the services assigned?

Yes. The County already has the legal capacity to perform the technical assistance service, and is capable of acquiring the administrative and financial ability to do so.

c) Is the unit of government responsible for a sufficient number of functions so that:

1) Its governing processes involve a resolution of conflicting interests?

Yes. Hennepin County is a general purpose government.

2) It must balance needs and resources and be responsible for resource utilization?

Yes. The County is responsible to its constituents for balancing its resources against its needs, and utilizing resources wisely. The formation of the Housing Services Office would be one demonstration of using County resources to meet a recognized housing need.

d) In its performance of functions, is the unit of government controllable by and accessible to its residents?

Yes. The governing body of the County is an elected Board of Commissioners, and, therefore, is accessible to and controllable by the County residents.

e) Does the unit of government maximize conditions and opportunity for citizen participation and perform the function adequately?

Yes. Conditions and opportunity for citizen participation could be maximized by the County by expansion of the citizen participation process in program development and performance as well as in the development of the housing plan.

Program: Section 312

Admin. by: Hennepin County

WORKSHEET FOR FUNCTIONAL ANALYSIS

1. Economic

   a) Benefit Area

      1) Is the governmental jurisdiction large enough to enable benefits from the service to be consumed primarily within the jurisdiction?

         Yes. Direct benefits would be consumed primarily by loan recipients and strategy area residents. Spillover benefits such as neighborhood improveemnt and preservation of housing stock would be consumed primarily within the County.

      2) Is the consumption confined to individuals?

         No. Although direct benefits do accrue to loan recipients, they also accrue to strategy area residents. One of the objectives of the program is to concentrate funds in small areas meeting program requirements (strategy areas) in order to rehabilitate an entire section of a community, thus improving the whole neighborhood.

      3) Is the consumption broadly distributed throughout the community?

         Yes. Consumption would be broadly distributed throughout the identified strategy areas.

   b) Start-Up Costs

      1) Does it require skilled personnel?

         Yes. It requires personnel competent in the areas of construction and build-technology , financing rehabilitation and refinancing mortgages, and knowledgable about the program's requirements.

      2) Are there facilities available to house the function?

         No. This program would require an addition of housing staff for which there is currently no provision. It would be housed with the Housing Services Office.

   c) Economies of Scale

      1) Do costs of output per unit decrease with increased output, i.e., are there economies of scale?

         Yes. There are economies of scale in that trained staff could operate this program for all qualifying areas of the County.

      2) Are there any diseconomies of scale?

         No.

2. Political

a) Does the unit of government have a geographic jurisdiction adequate for effective performance?

Yes. The geographic jurisdiction of Hennepin County is adequate for effective performance.

b) Does the unit of government have the legal, administrative and financial ability to perform the services assigned?

Yes. The County would have the legal, administrative and financial ability to perform the function with the addition of staff as discussed above and approval by HUD for its participation in the program.

c) Is the unit of government responsible for a sufficient number of functions so that:

1) Its governing processes involve a resolution of conflicting interests?

Yes. Hennepin County is a general purpose government with responsibility for the resolution of conflicting interests.

2) It must balance needs and resources and be responsible for resource utilization?

Yes. It has a responsibility to its constituents to use resources wisely in order to meet needs with the resources available.

d) In its performance of functions, is the unit of government controllable by and accessible to its residents?

Yes. The County is governed by an elected Board of Commisssioners and is accessible to and controllable by its citizenry through the democratic process.

e) Does the unit of government maximize conditions and opportunity for citizen participation and perform the function adequately?

Yes. With the expansion of its citizen participation process to include this program as well as other housing programs and the development of the housing plan, the County could maximize the opportunity and conditions for citizen participation.